

Interview with Ronald F. Venezia

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RONALD F. VENEZIA

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Q: Today is January 31, 1996 and we are beginning an interview with Ronald F. Venezia. Ron retired from AID in 1994 after 30 years in the foreign assistance program. He is presently working for the World Bank. We now have a good opportunity to hear his history. Ron, why don't we start off with some comments on where you're from, your education, your family and then we'll go on a little further into the education, but lets just start with where are you from?

Early years and education

VENEZIA: I was born in a little town called Tuxedo, New York. It's a small town - an Italian-American community. I'm the third son of immigrant parents and I'm the first one ever to go to college. I grew up in a little town called Spring Valley which was near by, near New York City and I attended a junior college first. I went to Alfred Agricultural Technical Institute. Really more of an experiment than anything else. I was not ever planning on going to college I just decided I had to go. I graduated there with an A.A.S. and went to night school for a year working for a newspaper and from there decided that life was going to be very tough unless I got a college degree, so I went out to Ohio, Kent State, and Kent State

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University is where I got my B.S. in marketing, a business degree. It was there where I decided I should go to graduate school so I applied to graduate school and started my first semester of graduate school in business and had an assistantship. An assistantship with...

Q: Where was this?

VENEZIA: In Kent State University in Ohio, Kent Ohio. I got an assistantship in the office of foreign student affairs. It was my first exposure to foreign affairs and I enjoyed it and about half way or maybe about a third of the way through the semester, this was 1962, and I was walking through the library and there was an advertisement for the Peace Corps. I picked it up, took a look at it, filled it out, mailed it in and never gave another thought to it.

Q: Is there a reason why you...

VENEZIA: I can't explain it; I think it was the Kennedy aura. I think I was filled with probably a sense for adventure. I was bored with the graduate school of business. So I think it was an impulse. Sure enough, about two months later I got a letter asking me if I wanted to go to Guatemala as a Peace Corps Volunteer. It took me about a minute and a half at most and I decided I'd do that. So I joined the Peace Corps. We were Peace Corps II for Guatemala, Guatemala II. Second group in the country and we were the first group into the Indian Highlands.

With the Peace Corps in the Indian Highlands of Guatemala - 1963

Q: Before we go into that, is there anything about your family background at all that sort of made you more receptive to the international world at all?

VENEZIA: I was probably adventuresome, I think that was probably it more than anything else. During my college years at Alfred I toured the United States with a college theater group for summer. We took two plays on a 38 state tour of Army and Air Force bases. I

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got an enormous exposure to the United States; we drove, as I say, through 38 states. Saw a lot of things along the way. I was exposed to Army and Air Force personnel. It was probably one of those life changing experiences that opened my mind, and I think I was not ready to go back and sell insurance or something. So the Peace Corps opportunity seemed to be appropriate.

Q: How long were you with this?

VENEZIA: Well I joined the Peace Corps, I sent the letter probably in 1962, trained in the summer of '63 so this would be 1963. The first year, year and a half of Kennedy's administration. It shocked my parents. I called my mother who was an immigrant, and still does not write English. She's a very wise person, but she was sort of stunned that I would go to Guatemala but said if that's what you want to do fine, and gave me encouragement and so I was launched.

Q: Why Guatemala, do you know?

VENEZIA: We were going to work with Indian cooperatives, we were going to try and start an Indian cooperative, in the Indian Highlands and they were looking for a mix of skills, some of us had business skills, some of us had farm skills and so the group that was eventually formed, there was like 40 of us as I recall, had a mixture, business, education and a lot of practical farm application, bee keeping, things like that, sheep raising. It was an extraordinary group of individuals. I was always struck with the quality of the people I was in the Peace Corps with, and I always felt that it had deteriorated as the years went on but we were a very early group and I was impressed with the people that I was associated with, and we were the first group into the Indian Highlands, Guatemala, and we didn't have anything to judge our performance against and I will get into this later on, but 15 years later, I met an AID colleague (Mike Williams) for the first time and he said, "you're Ron Venezia" and I said yes, he said, "we finally meet," he had been like the fourth volunteer into my village, Comalapa, and people still talked about "Don Ron" and he was finally

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glad to meet the individual that he had heard so much about and it was easy if you're the first volunteer in a town, and I'm actually quite glad I was the first. It was wonderful, quite challenging and everything was new.

Q: Well Ron, what did you actually do there?

VENEZIA: We worked in co-ops, we were trained in co-ops, we went to New Mexico State University, in the middle of nowhere, it was the Summer time, it was right outside of Las Cruces, New Mexico. It was 1963, the university was on summer recess, it was hotter than blazes, we were sitting in dorms on the edge of the desert and the only real entertainment was watching the tarantulas come in at night. It was just so totally, totally, different than growing up in Spring Valley, New York, I can tell you that and we learned, I learned farm skills, how to castrate a pig, how to watch my health, basics of co-ops, animal husbandry. stuff like that. We went up to the Jickaria Apache Indian Reservation for two weeks, and the first week we were out shearing sheep and the second week we were out scaling rocks, what they call outward bound, and it was fascinating. It's hard to describe the change that was occurring to someone from the east coast. So we then were packed out to Guatemala.

Q: You were learning language?

VENEZIA: We were obviously involved in learning the Spanish language and then we arrived and I was assigned to Comalapa along with two other volunteers and in those days they assigned volunteers in groups and we were dropped off. We were literally piled in the back of the jeep, driven up a dirt road, Comalapa was about 16 kilometers off the Pan American Highway - a large village, maybe 8 to 10 thousand people - and we rode in the back of an open jeep down a dirt road and we were choking with dust and the three of us got out, were introduced to our counterpart and the jeep drove off, (laughter) and we were put into a little pension and I'll never forget my counterpart, Santiago Chex, a little

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Indian who looked at me and said, "Do you smoke?" and I had given up smoking two years before, and I said "you bet" (laughter) I started smoking again right there.

Q: They knew you were coming I guess.

VENEZIA: Oh, yes, it had been arranged and from there we moved into a house. We rented a house together, which caused a little consternation, since one of us was an American girl, a single, but we each had separate rooms and we rented a little pension and we turned it into a center and Bonnie ran her classes, I started a co-op and office there and Jim was doing work with farmers, teaching farmers how to do new techniques. The co-op was started in the house, the co-op exists today as a small credit cooperative. I created it as a credit cooperative with the idea that it should also be a multi-service cooperative and I think it is still that today and then we negotiated over a period of time a grant from AID. AID had a small projects fund and I went in and I talked to them and I heard about it and used that grant to build an office, we built a warehouse and we were negotiating a loan with the Government's agricultural credit agency and the coop bought a tractor together. Now I had never driven a tractor so I spent my time trying to keep one day ahead of the people I was teaching. I knew how to drive a car and so I taught 3 or 4 guys how to drive a tractor along with Jim Noble, my fellow volunteer. He was the farmer and we trained them and we began to plow and to work for farmers in the co-op, earn some money. The co-op will never be the world's most successful co-op, but as far as I know it's still there. Still providing services. The first five bucks in the co-op is mine and it's still there, I wonder what it's worth today and I think we had a period, a year in a half, where we had a good experience, it was a rewarding experience. It was not one of those things where you walk away disgusted, although in an article I wrote for the Peace Corps, which is in the Peace Corps literature, it's in the first book that they published, called the Peace Corps Experience and it was my end of tour report. I entitled it "Wasting Time Profitably" because I felt that it had taken us enormous time to accomplish very little, but it was published and the coop worked. That was my AID connection by the way.

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Q: *I see.*

VENEZIA: With that small grant.

Q: *Getting the grant.*

VENEZIA: That's right and we were close enough to the city that we had occasional visitors. The AID Director, for example. (laughter) We were looking out of the garage of the pension and we looked up this cobblestone street and I saw this enormous Chrysler Imperial, with, you remember, these Chrysler's with the fins in the back and the red lights on top of the fins.

Q: *Right, right.*

Conducting a country-wide survey of Private Voluntary Organizations in Guatemala - 1965

VENEZIA: This thing was backing down the street towards my house and I said, my God what is this and it turns out it was the AID Director, Marvin Weissman, who had heard about us. We had some rabbits, he had a couple of kids, and he and his wife had been out for the day and they had driven up this dirt road in this enormous Chrysler, and were visiting us. We had a wonderful time and so I got to know the AID Director and several other people in AID since Comalapa was the town that had some local artists and so people would occasionally come by. So at the end of my Peace Corps experience I said to myself what do I want to do. I applied to Stanford and was turned down. My academic history could only be described as checkered. So I went down to the AID mission. I walked into the mission, and the person I dealt with there was a Dr. Don MacCorquodale who was the Chief of Human Resources Division and he had worked with Indians and the training of Indians and I said "Look, you know I've got some skills, I speak the language, I've obviously spent a couple years in the countryside, do you guys need anything like this? "

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It turns out at that particular moment, Guatemala was entering one of its periodic and tragic phases of violence it has faced since 1954 and the AID mission was terribly involved in their own version of -I think the easiest way to describe it now without overburdening it - what I would call counterinsurgency. It was the mid-60's, the threat of the Cubans was out there, the attitude was that Central America was the target. The question was what can we do to "keep" Guatemala, and make Guatemala democratic. So I was hired as a personal service contractor for six months - the first of three six month contracts. The first 6 month contract was to work with Dr. Richard Adams from the University of Texas on a study of "power" in the Country. I did some interpreting and worked on producing some maps of interest groups for a book. AID then asked me to do a complete survey of the PVOs (Private Voluntary Organizations) in the Country. No one knew what was out there. So I got in the car - I bought a car, I used my money from the Peace Corps, I also bought a brand new suit and a \$90.00 pair of shoes and I swore I'd never live that kind of poverty again in my life. (laughter) - I said "I've done this now and I think it's time for me to do something else in life."

Q: What year was this?

VENEZIA: This would be 1965, and I then drove around the countryside to all the little villages, all over the country and, for what I was told was the first time in the history of AID, which may be a little stretch, I identified all of the American and in some cases non American PVOs operating in country. I put together the report and I identified something in the neighborhood of 6 # or 7 million dollars a year that was coming into the country through monetary contributions and salaries and whatever else, and I put together a report and the embassy was astonished. Pete Vaky who was the DCM at the time said this is incredible and I wouldn't want to quote Pete, but he said "I wonder how we can use these people". (laughter). That was not the objective, of course. The objective was to find out just exactly what kind of work and influence was going on out there. These included

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Maryknoll priests and CARE and a whole bunch of other private groups, a lot of protestant missionaries, but also a lot of private voluntary agencies.

Q: Not funded by AID?

VENEZIA: Some of them had PL 480, for example, but a lot of them were just simply representing interest groups in the United States. This was put into an AIRGRAM and circulated world-wide so I became known in that context. My six month contract was renewed and I was told to produce the same thing on cooperatives. I interviewed all agricultural cooperatives in the country and they sent me up to the University of Texas to work with Richard Adams to try and sort the data. That was very inconclusive. The third time around, which was to work with Don MacCorquodale, they said, we need some work, some help on keeping these rural programs going, and about a month into that, Marvin Weissman said, "There's this program called the JOT (Junior Officer Trainee) Program in AID, are you interested?" I said yes. So he nominated me for the JOT Program. It's called the IDI Program now.

Joined USAID/Guatemala as a Junior Officer Trainee (JOT)

Q: Junior Officer training.

VENEZIA: Junior Officer trainee, and I was hired. I never took a test, I just was hired. I don't think that could happen today but back in 1966 AID was expanding. Vietnam was beginning to take off, people were being brought in by the dozens. I went up to Washington for six weeks of training, came back and started working in the mission in various divisions on a rotational basis. I worked for a while with Don, and I ended up in the program office for a rotation. Ed Marasciulo was the Deputy and he was very serious about my getting a broad exposure in the mission.

Q: In Guatemala?

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VENEZIA: In Guatemala, City, Guatemala, and my business skills came to the fore a little bit. I discovered programming was fun and in those days programming AID funds was programming of AID funds. Nowadays you've got the earmarks and it's for this or that thumbtack. In those days you got a block of money and the program office sat and said well lets see, who shall get so much, basically according to the obligating documents that you had. One of the things I remember doing was taking about \$35,000 and setting it aside, because I ended up as acting program officer, I went to help the assistant program officer. The program officer went on home leave, the assistant program officer became the program officer, I became the assistant program officer and then the assistant program officer was transferred to Costa Rica. So there was an interim where I became rather central to the mission from one day to the next almost. Before that, I had worked under division chiefs like Don MacCorquodale and Don Fiester, a good guy, who I eventually ended up working with again in ROCAP (Regional Office of Central America and Panama).

Q: Don...

VENEZIA: Fiester, he was the head of the Ag division. He was very suspicious of co-ops. Don was an old line Ag officer who worked with coffee many years and was quite suspicious because the co-ops in the country had been used politically in the past. Well, I felt very strongly given the survey I had done, that a government organized co-op system was doomed to failure, that it had to be helped from the bottom. I proposed AID support a co-op school run by co-ops in the Chimaltenango Department, which is where Comalapa, which was where my PC town was, just outside Guatemala City. There was a group of co-ops that agreed to come together into a small federation. Being program officer, I waited until the last 30 days of the fiscal year when all other needs had been met - and we had this \$35,000 extra - and I convinced the AID mission to sign an agreement with them, to create a co-op school for themselves. That co-op school is in existence today in Chimaltenango. It is now financed by the Germans, because AID took a different tack a couple years after I left, and the school survived in spite of withdrawal of AID funding. But

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it's there today, and I think it represents the interests of the member co-ops, I hope it does. One never knows in this business.

Q: Guatemalan staff?

VENEZIA: All Guatemalan staff - Odilio Blanco, I think is still there, the last time I was there was five, six years ago, he was still the director, white-haired now. But they're doing okay, not going to be the end of the world but they're...

Q: There hasn't been an attempt by the government to interfere?

VENEZIA: No, not that I am aware of, they kept it away from the government completely. Sanctioned by the government obviously. Another thing that we did turned out to be, in retrospect, pretty dangerous. There was a program with Loyola University in New Orleans where we selected Indian leaders and sent them up for what was referred to in those days as sensitivity training, leadership training, six weeks, pretty much a mind blowing exercise, where these people were taught to have confidence in themselves and do what they had to do. This was so successful that Don MacCorquodale proposed that we start an in-country training program like that, and I worked with him on it and with Landivar University in Guatemala City. We started a program for Indian leaders. Within a couple of years we probably trained - in 30 courses - some 500 or 600 Indian leaders, who went back to their towns and were trained in the skills of organization, of motivation, of change in political development. Many of these people just took off and organized their community. Many of these people are today dead because they ran into a wave of violence that occasionally occurs in that country. This would be then in, let's see I left in 1968 for the first time, I went back later on. Between 1968 and 1976, when I went back to work at ROCAP, the early 70's were a period of violence in the country. And then after 1976, which was when the earthquake happened, there was a period of brief flourishing and then the early 1980's violence erupted again. So, a lot of these leaders, who now became very exposed, obviously for taking a forward position in their communities, ended being targets

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of violence when the political structure simply said look we're not going to have any more of this among the Indians. The Indian situation in Guatemala is very, very sensitive.

Q: Because of a military government?

VENEZIA: Well, you have to say it's largely the military, but it's hard to separate the government and the military in Guatemala. It's basically a symbiotic relationship.

Q: Do they perceive these people as some sort of threat?

VENEZIA: Well yeah, they perceive them as organizing to change the status quo. A lot of these individuals started organizing some of the farm workers that were farm labor for the periodic harvesting on the south coast. The whole question of wages, the whole questions of living conditions in the countryside, especially in the Indian countryside, is quite conservative and change itself is seen as a threat. So it was an exciting time and it was a dangerous time. Indian highlands are not terribly latifundista, they are mostly broken up into very small parcels of land. There was a strong desire for a cheap source of labor for the South Coast for the harvesting of the coffee, sugar or the cotton or whatever, so it was a major issue in Guatemala.

Well, organizing these people stepped on a lot of toes, even in the towns themselves, there were various interests and the government had a system of informants who got paid to report anybody who looked suspicious and, the abuses that could creep into a system like that whether someone owes you money or whether you had a dispute with them later on or of a family feud, who knows, but a lot of these people ended up dead.

Q: Was this after you left too?

VENEZIA: This was after I left. I had gone on to Costa Rica. I was supposed to stay in Guatemala. Dean Hinton, who has remained a friend for many, many years, was the AID mission director. He ended up being one of State's Career Ambassadors, who just

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retired. He was the AID director at the time and he was a rough old guy, but he was good to work with, he had a lot of integrity and he asked me to come back for a second tour in Guatemala, which I agreed to. At that time the population program was beginning to take off so they were going to establish a population office and they arranged to send me off to school. AID was going to train me for four months to be a population officer and then I was going to work at population for another tour. Several things happened. I was going at that time with a woman I married and am still married to after 27 years. Burgess and I had been going together. She was a widow. She had been married to a Guatemalan and he had died and she had 3 kids and she was running a small hosiery factory in the country. She had run that while he'd gone on to other business ventures. They had started it together. They'd met in Clemson, South Carolina, they came down and they started this hosiery factory. She ran the hosiery factory and he went on to do some other things, some of which went bankrupt. Well, not all, but some of which had gone bankrupt. Anyway she was running this factory with the three kids and we were getting along quite well and I decided, I was 28, you never know why you get married but it was a good reason I think. So I decided to get married and I felt very strange about staying in the country where she had a previous family, who I got along with very well. They were Christian Palestinians but I said to myself, something's going to have to give. I'm going to have to either join the family if I continue with AID in Guatemala or maybe go to a sock factory. And out of the blue, as much of what happens in life, the assistant program officer that I had worked for in Guatemala, who had gone on to Costa Rica to become the new program officer, called me and said would you like to become my assistant program officer and I said probably again within a minute and a half, yes. Transfer to Costa Rica - 1968

So, I had to go to tell Dean, who had moved heaven and earth, because I was no population officer, to convince people that I could be a population officer. I had to go and tell him that I was no longer interested and I was going to go on to Costa Rica and he was not very happy. Matter of fact he was mad and felt that I had walked away from something he had committed himself to and then I was a little mad at myself. But I had said to myself,

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besides the marriage, I said to myself, "I'm not a doctor, I'll never be a doctor. If I get into the population field it's going to be dominated by medical people, so if I have any ambition in life there's no way that I'm ever going to be the head of AID's population office", so I think that, after some thought, it just didn't look like a career choice. So, I went off to Costa Rica to become an assistant program officer with a wife, three kids, two dogs, a maid and a piano and we all arrived in Costa Rica, and it was our first tour in Costa Rica, late '68 early '69. We were in Costa Rica 2 # years.

Q: What was it like in Guatemala as compared to Costa Rica?

VENEZIA: I always describe the difference this way. In Guatemala, if you wanted to get anything done, you had to go to a Guatemalan and convince him that it was a personal favor for you, in other words, you said - "look my job depends on my getting this done for my boss, can you get it done for me", and a Guatemalan could understand that, and he'd say "oh sure, gee Ron, you know, let me help you". I don't mean to be categoric about this, and its hard always to categorize a whole people. It was terribly hard to find a Guatemalan who operated in the best interest of the state or was a public servant in the context that we understand. Whereas in Costa Rica you felt that people did things because they could understand the import it made to the general welfare and Costa Rica was, a smaller country, it was democratic, it had a history of openness, and after the revolution of '48 it abolished the army. Costa Ricans are relatively well educated. I'll always remember the time that Pepe Figueres, who was elected President for I think the third time. We were in a municipal training course, up in the mountains, and he was just elected president, he had not taken over, and he drove up to give a speech in his own little Volkswagen Beetle, all by himself, This was the elected president of the country. So it was a very, very different country than Guatemala where the President might be elected, but never drove his own car!

Q: What were the main characteristics of Costa Rica that made it different from Guatemala?

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VENEZIA: One of the standard responses is you don't have the racial divisions in the country. The history of land ownership was not all that dramatic and Costa Rica has some large land owners but there is a sense of cooperation in the Country which stems from an attitude. Ostentation is not looked upon favorably, people matter of fact play down ostentation. There's this tendency for Costa Ricans to sense that they are part of larger good. Also I feel - now this is psychology 101 - that Guatemalans have a complex. Guatemalans have a terrible chip on their shoulder. You could never offer criticism of Guatemala without them taking it personally, no matter how you phrased it. There was this belief that they were the center of the universe, it was the Paris of Central America in the early colonial period, and they considered themselves much above their neighbors. Yet at the same time they had this racial mix in the country which still affected almost everybody. There were very few families who didn't have something in the wood pile out there and there is this complex. Whereas in Costa Rica you simply never ran into that complex, they genuinely liked Americans. I came to realize later on that you had to be careful of being taken advantage of as a foreigner in Costa Rica, but Costa Ricans generally don't have complexes. They're open, so if you have something to offer, or if you don't have anything to offer, it's fine, but they can focus on the issues and I think that most people attribute this to tremendous efforts made in the late 19th - early 20th century on education. There was an education revolution in terms of literacy, in terms of access to education and this has developed into today where Costa Rica has probably the best university system in Central America by far. Universities in Costa Rica today are foreign exchange earners. People come and study there, it's a big industry - a lot of private universities. I think education in Guatemala is still a very rare, rare commodity, or if it's not a rare commodity it's a commodity that's held by different segments of society in much different ways.

So I ended up in Costa Rica, I was the assistant program officer. Right after I arrived there the Mission Director Bob Black had been PNGed. Good guy, but he stuck his finger in the face of a congressman and you just didn't do that in Costa Rica. A better way of describing it is, he lectured a Costa Rican congressman, or a couple of them, on PL 480.

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I've forgotten what the issue was, but they went after him and he was PNGed and he left and we were left there hanging and in came Larry Harrison. Larry Harrison was at that time AID's youngest director. He'd been in Costa Rica earlier as a program officer. Larry was a real firebrand. A very liberal firebrand and he had established a very strong link to the culture and Costa Ricans in an earlier tour. He hit the ground running and that was when we were going to phase out Costa Rica for the first time I'm aware of. That would be the late '60's. Costa Rica in 1969, either '69 or '70 or '68 or '69 whatever, had for two years running the highest per capita growth rate GNP in Latin America. This was in the neighborhood of 8 or 9 percent a year. It was a dream come true. Everything was moving along. Remember Walt Rostow? The take-off idea, it was all there. Larry came in and said it is time for us to leave and we should terminate what we're doing but we have to terminate in such a way as to give them a golden handshake. So he dedicated himself to designing a golden handshake in the agricultural sector. Besides agriculture, the rest of the program was pieces of this and that. There were quite a few things, other things going on, but Larry's real focus was in agriculture. So he decided that he would create an administrative unit in the mission, which picked up all these pieces and I helped on the design of that and it was called the office of institutional development and it included education, health, community development, family planning and training, and we were trying to recruit people and I suggested we recruit Don MacCorquodale from Guatemala, so we tried that, and Don wasn't interested and he tried a few other people and we couldn't get anybody.

Larry occupied an office with two doors and I walked out one door, one of which went to my office. I was having a conversation with him by his desk, and we were saying we need to get somebody to be chief, and I walked through the secretary's office, walked down the hall, to my office on the other side, and I walked in my office and I sat down. I said humph, got up and opened the door and I said, "What about me?" and he looked at me and he said humph, and I just closed the door. And a half hour later he came in and said, that

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was a good idea and he appointed me, my second tour of AID as Chief of the Institutional Development Division. Well that was an enormous opportunity for me and ...

Q: What did that involve?

VENEZIA: I inherited a population officer, an education officer, several contractors, and about 5 or 10 local hire. It wasn't an enormous thing but it was my jump into AID management and it was a challenge. It was also a little embarrassing since the education guy and the population guy were both considerably older than I. Larry simply wanted to move these activities off into something that he didn't have to worry about. Well, he should have known better, because I was certainly not going to sit around and watch the sun go down. I had developed an interest in legal reform. ROCAP had started in the early mid-'60's programs in Central America to create regional institutions and ROCAP was looking to promote Central American integration. To do that you have to have a common set of commercial law, you have to have commercial courts, you have to have a commercial code, you have to have a lot of things besides telecommunication and roads. And they had started a program in the University of Costa Rica Law School, which was a pretty good program, where they were putting together case law, for the first time in Central America, to create a case law book in commercial law. It was well advanced by the time I got there.

That in turn had led to the Dean of the Law School Carlos Jose Gutierrez saying, look this is pretty good, why don't we think about this the way we teach law in general. Carlos Jose, who eventually became Foreign Minister and Ambassador to Germany, was a real promoter of reform of the legal system and that eventually led into AID even working with the Supreme Court. So I all of a sudden had the makings of what was probably one of the earliest if not the earliest efforts in AID in what we now refer to as governance. I looked at that and became more and more interested in it and local government. I'd been looking at the whole question of what was government in a small country. The municipalities seemed to be doing things and the more I got involved in it the more interesting it became. Larry

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meanwhile was developing his golden handshake - an agricultural sector loan. It was one of the early versions of those sectors loans that AID came to use in the '70's and it had many pieces to it - it had a land titling piece, an agricultural extension piece, Ag credit, education - almost all of it was going to the government by the way. It was a lesson we learned later on not to do, but we were all living in the Alliance still. The Alliance said the private sector had failed in the social sectors, what was required was that governments move into the forefront, especially in the social sectors, and AID put its money into the social sector in the whole of Latin America, including Costa Rica.

Q: In the social service sector?

ENEZIA: In spite of earlier investments in the servicios, social services were still very weak. In the 1950's during Point 4 you had started out creating a semblance of structures to support investment in social services and eventually led into what was referred to as the servicios. The 1960s and 50s were characterized in Latin America by the creation of parallel organizations, very well funded, very well staffed, and very well led generally by Americans with programs in rural water, sewage, agricultural extension, agricultural research, education, etc. At the end of the 1960's, corresponding to the creation of AID, was the collapsing of these servicios into the line ministries. This collapsing was in effect just taking this service organization and moving it over and this was happening all over the hemisphere. The theory was, we are no longer going to do it ourselves, they have to do it. There has to be a Ministry of Agriculture that is going to become an active player. So an enormous amount of effort was put in to reorganizing and increasing expenditure in the social sector through the creation of a much larger role for the public sector in providing for the basic services of education, health, agriculture. By the early 70's, the Alliance was dying, Kennedy was gone. The war in Vietnam was beginning to heat up but we still lived the rhetoric of the Alliance of Progress. And so Larry was off creating this enormous public investment structure for agriculture and that was going to be our golden handshake. Now you can have perspective ...

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Q: Why was there a policy to phase out?

VENEZIA: Because of the strength of the Costa Rican economy. In other words if you believe in the take off theory that was in effect there, that the plane goes along and it gets a certain amount of lift and then it takes off on its own and Costa Rica had two years sign of tremendous growth, and it had 90 % literacy, it had a social security system and people said why are we here, ...

Q: There was no political rationale for the assistance?

VENEZIA: Not particularly aimed at Costa Rica. There was no pressing global issue that was Costa Rica specific, except for an incident following the election of Pepe Figueres and it got Larry PNGed, this time by the Ambassador. It seemed to be a pattern of AID directors in Costa Rica getting PNGed, which was very much on my mind when I went down there in 1990, I can tell you. Larry was working on the creation on this major agricultural sector loan, which was for 20 million dollars, in those days a lot of money. Especially for a country of 2 million people, 2 1/2 million people. So he worked on that and he kind of left me alone. He just wanted this other stuff taken care of and not to cause any problems. Well, I was getting involved in these new sectors and I got involved in a municipal development initiative. I said to myself, what's missing in Larry's piece is a people piece. In other words he had extension, he had land grants, there was some co-ops, but there was no connection back into the community. So I began to look into that aspect in terms of municipal development and in terms of community development and what I came in and offered Larry mid way through his process was an addendum to his program. It was the creation of a municipal bank, which was referred to as IFAM or Instituto de Fomento Municipal, and a program with the community development organization of the government. I understand IFAM is about to be abolished because it has failed to deliver on it s promise to strengthen the municipalities. Nonetheless, it was one of the high points of my early career. It was a very small country and it was a personal country. One day I was visited by a Deputy from Guanacaste - Armando Arauz - who

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would become President Monje's veep - and he said, I understand you are interested in municipal development, lets talk. Well, over the next two hours on a black board in my office, we designed together a municipal bank. I arranged for some feasibility work and he went to congress and drafted a law, and implementing tax authority. He was very influential in the municipal movement and when the law passed I was sitting in the press gallery of the Congress and as amendments were being offered to the law, Armando would come out, very visibly discuss them with me, and go back in and it was quite clear it was going to be a Costa Rican and American effort, not so much Ron Venezia, but an AID and Costa Rican endeavor. Larry was just taken with that. My EER's glowed, and he said he'd never seen a performance like this before. He was simply taken aback with it and he came to me and he said you need to straighten out your education, you're badly educated. I said I agree with that and he said would you like to go back to school for a year, and I said I'm married, I have three kids, two dogs, a piano, a maid, he said no, AID has a program which would send you back to school and you get full pay. I said that sounds interesting. He nominated me for an academic year, with pay. Wonder of wonders, out of the blue, AID/W asked me would I like to go to a university for a year and get a graduate degree, and I said, well yes , and, since I worked in what was referred to in those days as Title 9, they said...

Q: Political development?

A year at the Harvard Kennedy School - 1971

VENEZIA: political development... they said well we're going to send you to Fletcher. I said fine and I thought about it. It's been a habit of mine all of my career to say okay and then go back home and think about it just a little bit, and I came back and I said well you know, what am I going to do with that. So I talked to Larry and Larry had graduated from the Harvard Kennedy school, and he said that's what you need and I said okay. So I wrote AID, and I said look instead of going to Fletcher I'd like to go to the Kennedy School at Harvard and they said okay. I never took a graduate record exam, AID just sent the papers

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in, I applied, had some recommendations and I went and we ended up in Boston for a year and did research on international development. I did a lot of research on political development, and I specialized in economics. It was a wonderful year. It was one of those mind opening years and again I had to thank AID and the taxpayer, they paid for it. In those days tuition was \$3,000 bucks a year. They say tuition these days is \$20,000 but we had a marvelous year...

Q: You were a full time student

VENEZIA: Yes. I got my MPA from the Kennedy School and wrote my papers. About a half way through the year I got a call from the LA Bureau and they said, what do you want to do? They assumed I wanted to continue working on Title 9, and Herman...

Q: Herman Kleine.

VENEZIA: Herman Kleine, the AA of the Bureau had suggested that I work under the head of the multilateral development office, which was the office in the AID bureau, as chief of a division in charge of all the Title 9 activities, co-ops, PVOs and so on. This was my third position in AID, and I was going to become an office chief in AID/W. I arranged a short trip to Washington, and I cannot explain why I did this, but I went in and talked to Donor Lion, who was the current Multilateral Office Director, big gun, and I sat there and I looked at the portfolio of the Title 9 office, and the portfolio was a lingering remnant of the Alliance, e.g. PVOs, Co-ops etc. and I said to myself, you know I've done this, do I want to be in charge of the care and feeding of the American charity groups, do I want to do that and I said no.

Q: American charity groups?

VENEZIA: I think it was very a narrow and hasty judgement of what that office did but I had the impression that for the same reason as the population thing, earlier on, that I couldn't see that it was going to go anywhere. I'm not a terribly ambitious person but I like to look beyond a little bit, look what's out there, and I turned it down. I went and I made an

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appointment with Herman Kleine who must, I think back, he must have sat in his office and said, who is this kid and I sat there and I must have come across as the most insufferable person in the world and I said, look I appreciate being sent to school, this thing and the other, I looked at Title 9 but I don't want that job. Thank you very much and I went back to Boston. Just before I left, Jerry Pagano who was the head of Latin America personnel and who is the original godfather, he was the godfather of the bureau for many years, was in the hall and he was carrying a bunch of files, and he looked at me and said, what the hell did you say to Herman Kleine for Christ' sake. He called me and said, Venezia doesn't want this job bring me other candidates. So, I went home and I twisted in the wind in Boston for about another month and a half. Not a word from Washington, here I'm coming up to the end of the school year, and Jerry called me and he said Ron, what do you want to do? You've got three choices. You can be a program officer, you can be a loan officer, or you can be a desk officer. In other words work on the line, and I said, I'd like to be a loan officer. He said okay, so he went to Frank Kimball, Director of LA/DR when they were just putting together that office, and it's 1972 when the New Initiatives were just emerging from Congress. Frank checked with Larry Harrison and with Larry's recommendation, Frank hired me. It was the beginning of another era in AID, and I went to Washington to be a part of it. Under the New Initiatives we weren't going to do business the old way, we were going to do business a whole new way, and Latin America was going to be a leading player in that process.

Working with Latin America's "New Initiative" as a loan officer - 1972

Q: A new direction

VENEZIA: New directions. New initiatives for AID and Latin America. It was the agency, but I think Latin America took the lead. The attitude, in those days, was that the field didn't know what the hell they were doing. The feeling was that the field was all Techies, you know, you had cattle people and you had crop people and they were all sitting there and they were all interested in their own little thing and they never saw the big picture. So

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Washington was going to have to pick them up by the scruff of the neck and shake them. I joined LA/DR as a basic loan officer and I coined the phrase, "last guy in gets Guyana" as I had joined the Caribbean division.

My first portfolio was Guyana and it was a small country that nobody ever cared about. Nobody looked at. The AID director had been down there for about four or five years. The program had been shaped by the CIA and Bobby Kennedy, he'd been involved in the program early on, because we were saving the country from Cheddi Jagan, a dentist who got his teeth filled in Moscow, who was seen to be dragging the Country off into communism and so the director down there who was Bob Hamer, pretty much had his own way and did anything he wanted. So I was appointed and I came in. A young loan officer. Went down, looked at the loan portfolio and helped develop some loans and discovered that this guy was giving out grants to the children's museum so kids could come in and pat animals. He was the archetype of the old line Directors. So I came back and I wrote a report which went to Herman. Eventually the mission director was fired, and I'm not very proud of that, but he was beyond redemption. Herman Kleine himself went down to Guyana, based on my report, and other reports sent to him. He tried to change things around. Herman was not a bomb thrower in any sense of the term, but it was symptomatic of the times. For this and other similar episodes, LA/DR loan officers became known as "Breen's Dobermans", named after Dick Breen, the LA/DR Director. Dick is a very aggressive guy, and encouraged us, and so we kind of enjoyed that. Power was in Washington.

From Guyana I moved over to Colombia, it was called the North Coast area, and eventually, I guess after I was there about a year, the position of the chief of that division came open and I got appointed chief. Colombia at that time, was the largest AID program in Latin America. It was a program based upon, it was referred to as a new concept, but today you'd call it a cash transfer. But in those days it was referred to as a sector loan. They had started in Colombia with balance of payment support which was a commodity import program in the early days. What happened in Israel later on, also happened in

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Colombia. When you get into the hundreds and hundreds of millions of dollars, I think the Colombia program was 3 to 4 hundred million dollars a year, it simply collapses under the weight of documentation when you have a commodity import program. You have to demonstrate what you've imported, you have so many transactions and it comes through the banking system and it became quite clear that you couldn't move money. There was getting to be a real backlog of unexpended funds, and there was pressure on moving money.

So AID, as is its wont, said, look, the idea is to get the money to the economy; we have a balance of payment problem here. Colombia needs the dollars to import its goods. We have these New Initiatives focusing on education, agriculture and health. You know we're going to focus our attention there. And what we want is the Colombians to increase their investments and budget for these activities. So why don't we just do the following. Why don't we look at their budgets for these three sectors and why don't we agree on levels that they need to invest in these sectors. They can put in so much and the rest will have to come from somewhere else. So what we will do is, we will make a sector loan in education, a sector loan in agriculture, and a sector loan in health, each year, and we will sign an agreement that commits them to certain levels of expenditure for those areas and then we will be able to say we have directed Colombia's budgets in these areas, and once we agree on that then we'll just give them the money.

Q: These were loans?

VENEZIA: These were 40-year concessionary loans and we would disburse the money and the money would lose its identity. In other words you could no longer say this school is ours and that school is yours and as for the commodity import program people, well, I'm sorry folks, you can no longer say that this money was used to import grain. That was a problem with AID's commodity import people who fought for years and they lost in Brazil, they lost in Colombia, and they lost in Israel also, so far anyway. That was a very nice money machine. It ran like a clock. The Colombians are quite clever. The Colombians

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were committed to these activities. This was politically very popular in Colombia, as you can imagine, and so this was going along very nicely.

Then I got involved in the Colombia program and I began to notice a couple of funny things. One was that we were disbursing this money, without checking on what happened the previous year and I began to notice that there was an increasing disconnect between our money going in and what was being spent. Without anybody noticing, Colombia was getting dollars from another source which was, pardon the pun, growing, growing, and growing and was non reportable and Colombia's reserves were beginning to climb. Also from the U.S. side, AID is a money machine and so is the State Department, so the whole question of levels to Colombia was very important and the challenge was to keep those levels up. You have to justify those levels, and it's an annual grind you go through to make sure you get to Congress and you get the money and you sign it up and you disburse it. While all this was on automatic pilot, what was happening was - and it didn't take a real genius to see this - as Colombia's inflation - and you can imagine what happens when this kind of money gets pumped into the country - Colombia's inflation began to climb, and the Colombians began to want to start to control inflation, so they began to hold back on some of the expenditures, and what happened was, 300 million dollars that we had disbursed had not ended up in the budget. The reason was that it was being held by the Colombians away from the budget, and the budget expenditure level had been reduced to fight inflation and we had not reflected that in our annual program.

Q: So this was going into reserves?

VENEZIA: Well, it was going somewhere. It wasn't going in the budget. I didn't work for the IMF and I couldn't tell where it was going but I knew where it wasn't going.

Q: Right.

VENEZIA: So I did another one of my reports. This ended up, I don't mean to personalize this because a lot of other people are involved obviously, but I take a little responsibility for

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an AID bill of collection to the Colombian government, for 300 million dollars, which was delivered by the AID mission obviously not by me, I was just of one of these Dobermans back in Washington.

Q: Right.

VENEZIA: I had a couple of notches on the bedstead and the Colombians' reaction was not expected. They said, I forget who the President was, they said, look, we have a wonderful relationship and thank you very much for all the money you've given, it's been very helpful and everything else. We will pay you back your 300 million and we will close your AID mission. The AID mission in Colombia was closed. That abrupt closure always stayed with me. We had never prepared for this eventuality, and Columbia was very much on my mind later on when I began to think about phasing out Costa Rica. We needed to have a plan, not just let it happen to us or them because of some spur of the moment event or circumstance.. That's why I conceived the foundation idea. This is especially true for large programs where AID's impact is meaningful.

Q: Why were we making such a big operation there prior to that point?

VENEZIA: Well Colombia was a leader in the Alliance for Progress. You have to understand the environment. I had lunch once with Larry somebody to discuss our program in Haiti. He was a key legislative aide on the Hill and had actually written the new initiatives in the 1972 legislation. I can't remember his name now. I came back from my lunch and I wrote a note to Herman Kleine because I just felt I had to tell somebody. In the middle of the lunch the guy had said, "you know the Latin American Bureau is the best AID Agency in the world", and I thought that was worth repeating because, one, I was very proud and, two, I didn't think it was that far off the mark. We had excellent people, we had a strong back to back relationship with the State Department, we were in the midst with foreign policy and we could get things done. We were a machine. We could do things. Well, this machine was operating with a vengeance and you know if you tell AID to spend

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money, it'll spend money, so we were working like crazy and the world was changing under our feet and the Colombians, well Colombia was growing quite rapidly. Their non traditional exports were zooming through the ceiling and they were going through their own process of economic growth and transformation and our program was simply grinding out the money. We had our own reasons for keeping levels up and it simply got out of sync. It didn't take long at those levels. Three hundred million bucks sounds like a lot of money but when you are pumping in three, four, five million bucks a year, it only takes about a year and a half or two years for the thing to get out of sync and it did. So the Colombians closed us down. They said...

Q: You weren't concerned about that money? Particularly about its developmental ...

VENEZIA: Oh, no, you have to understand, the developmental aspect of this thing was grinding on. The annual budgets were increasing but they were not increasing in terms of keeping up with inflation. But the Colombians were booming ahead and building schools and training teachers and opening up hospitals and building homes, this was all happening. But it was not happening at the level we were putting in. The Central Bank took the dollars, it was a cash transfer. We didn't call it that in those days. If we did I don't think we would have been able to do it. But, the money was delivered to the Central Bank in dollars. The Central Bank would just take the money and say thank you very much.

Q: Nobody was tracking the local currency in relationship to the loan?

VENEZIA: No, because it had become an entitlement and the mission, and it was a good lesson, the mission which had been a premier mission, lost its good people. Once the transfer became routine, the good people who had designed this program moved on. The real architect was a guy called Len Kornfeld, he's dead now, he died of lung cancer. He was the force behind this instrument and he had come to Washington every year and he would personally present the proposals which he had personally negotiated with the Colombians. He left. He had all kinds of friends and enemies in AID/W, in the Bureau, the

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commodity import office, the lawyers, etc. He was a very strong individual and he was pretty smart and he knew his stuff. But he obviously ran rough shod. In a meeting, and he was asked a lot of questions, he understood perfectly well the principle that a meeting can only go on for so long before people leave, and so he would take first of all a long puff on his cigarette before he'd begin to answer your question and would drone out his answers and he would never give you a straight answer and he knew pretty well he was going to get the money. Then he left and anybody who wanted to get even with Colombia came in and the program just lost its edge and people even lost the original idea and it became captured by the idea of spending the money. That happens. Money corrupts.

Q: And was there political pressures just the same?

VENEZIA: Oh, the State Department which was in those days wasn't typically interested in the mechanics, was interested in the levels of Colombia. That was the political issue, we had to keep the levels up and you know that happens even today in Russia, Egypt, Cyprus.....

Q: Why was Colombia so important to the State Department?

VENEZIA: Colombia was a key country in Latin America. It's a very large country, it's a dynamic country, it was a democratic country, you know in those days democracies in Latin American were few and very far between.

Q: But it had internal unrest?

VENEZIA: Yes, they had internal violence - I think they still do, there's still a tremendous amount of violence in the country on any given day of the year. but there was an insurgency which I think had a Castro connection and you know that's all you needed in those days.

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Q: Most of these programs, apart from the money transfer process you talked about, were not for development?

VENEZIA: Oh, no, much of what we did had a tremendous impact.

Q: Could you characterize the impact on the country?

VENEZIA: Oh, I think clearly the investment into the social sector in Colombia increased dramatically. It's a large country anyway, and you know it's hard to measure cause and effect but I think if someone like CDIE goes back and looks at the level of public expenditures in basic services of education, health, and agriculture they would find in the period of the early late 60's early 70's a dramatic expansion of these services to Colombia. I think Colombia had a major reform of its education system. Not as probably as profound as what happened in Brazil in the 1950s but much of it, Colombia, today is a modern country.

Q: Did AID people have a role in defining the strategy in the sector, the policy for education and the policy for agriculture?

VENEZIA: Yes and no. Colombians set their own cap to these issues. Meanwhile, AID had this enormous sector study office which financed studies, much like CDIE today. These studies used US and Colombian professional researchers and produced volumes. To what effect, I don't know. The Colombians are very clever and well trained. The Colombians knew what had to be done, and did it. The education budget, it was put together by Colombians. The AID mission played a role as to what you call today policy dialogue or engaged the Colombians in pushing them into one direction or another but the Colombians knew what had to be done, ...

Q: Did they have much technical assistance from you?

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VENEZIA: Ah, the Colombian program was never characterized by, at least when I knew it the late 60's early 70's by a program that had 20 people in agriculture running around putting in corn plots.

Q: Was there any institutional development?

VENEZIA: Well there was an institutional dimension of the programs but it was largely a policy driven program in which the dialogue took place at the policy level and then the Colombians executed it and they put in money.

Q: That was really the key to the new initiative wasn't it?

VENEZIA: Very much so, it was a decision that we agreed that you need to extend your investment here, you tell us what you want to do, we'll comment on that, obviously give you our opinion maybe make some suggestions but in fact it's your education budget, because that what we wanted. It was passed by their Congress.

Q: And they had the level of expertise too.

VENEZIA: Yes, very much.

Q: The plan to carry it out.

VENEZIA: The Colombians, the professionals in Colombia were totally capable of carrying it through. In areas like in housing they would pick up on a lot of the institutions and developments in the United States in urban development for example. There was a lot of transfer of ideas and techniques but the Colombians were and are, I think, a very clever bunch of people.

Q: You had some other countries under your responsibility at that time too didn't you?

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VENEZIA: Well, I was sent down to the Caribbean Development Bank. We had made one loan to the Caribbean Development Bank as a founding loan. The British had wanted us to be a member of the Bank. These were largely British colonies. In the late 60's, early 70's, the British were beginning to pull away and the colonies themselves wanted to become, they were a crown colonies, and wanted to become independent. The Brits thought that was a wonderful idea. They were having budget problems of their own and these people were almost entirely dependant upon transfers from Britain. So the Caribbean Development Bank was another means of mobilizing capital for the region. Sort of like the IDB or the World Bank. There was a tremendous amount of resistance from the U.S. Government to becoming a member of another regional bank, so we provided a founding loan, it was 10 million bucks I think, and was used for basic infrastructure, so they decided they needed a replenishment loan. I had just joined the division and Ron Bobel was the chief and he may have done the first loan and Ron was interested in moving on, so I went down with Ron, he was my guide and I put together the second loan for the team and got it passed in Washington, and signed. Arthur Lewis was president of the Bank. I had wonderful experiences in my career being able to negotiate and being exposed to and just watch people who are quite smart.

Q: Did you get to know Arthur Lewis?

VENEZIA: Well as much as you can in visits and negotiations. Sir Arthur was charming, he was a labor economist, he had taught at Princeton. He had literally decided that part of his life he wanted to dedicate to where he grew up, which was the Caribbean, so he had left this very comfortable life and moved to a little tiny island out there called Barbados, twelve miles by five and engaged with all of these petty politicians on these islands. You know, he's a Prince of a man. To sit and talk to him. I always felt intimidated, in an intellectual way, by him. He was a world class economist, with a world view and a lot of discussion was on labor policy. He always wore the same suit to work every day, as far as I could tell, and the same thin little tie. He was the most humble guy in the world and soft spoken, a

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giant of an individual. I became the loan officer for the Caribbean Development Bank AID portfolio.

I also had Haiti, Baby Doc and his wife. Dick Seifman, a LA/DR colleague had gone down and done an early loan and they needed to do a second loan, and so it came my way and I went to Haiti and it was a coffee loan. Again in those days if you were the LA/DR person you led the team. The loan officer was the head of the team and the technical people, many of whom were seriously older and much more experienced never got over the resentment of that. There always was a tension between the technical and the non technical people. But we pulled together...

Q: That was the people in the bureau?

VENEZIA: In the bureau and it was in the same office. They had joined the tech people along with the loan people in the same office but the office leadership was dominated by the loan types so the tech people never felt they had a chance. So, I went to Haiti and did a coffee loan right after Papa Doc with Baby Doc. That was a wild experience. This was a brand new government emerging and we structured a coffee project which was somewhat hard to do in that coffee in that country grows wild. Nobody could sell very much coffee so they didn't pick very much commercially and they didn't take care of it, they didn't prune it. The whole question of coffee practices had to begin at the basics. I learned a lot about coffee. I saw an evaluation of the Loan many years later. It had rough periods because some of the ideas didn't work. We were putting up centers, basically a cooperative and government run operation. We should have been much more careful and pushed it into the private sector. But it was bizarre. I remember negotiating with the head of the coffee institute in his office and his office was 10 by 15, had one desk in it. We were sitting there and the secretary would just wander in and out, would sit down, would put her head in her hand and would listen to me and talk to her boss, and I'm trying to negotiate a loan, or get information, discuss this and that issue, and he had a hand held portable radio and while in negotiations he's listening to a soccer match, and I was saying to myself this is out of

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Kafka. We got through it and we signed the loan and I heard later on, that the loan, when we went back into Haiti just recently, people said that the loan had left some good behind. Some of the practices, some of the training programs, so the evaluation wasn't all that bad. That was nice to be able to see, because we had done that on a wing and a prayer.

It increased coffee production. Coffee was grown by small farmers. Coffee in Haiti is not a like a plantation thing, it's grown on very small plots. The quality is terrible, it's a bramble, the whole question is to bring some order out of it and it does provide income to the government, so the government was interested, but we were interested in how to raise small farmer income. The next time we went down to Haiti, I went down with Mike DeMetre, who was a young transportation economist with the bureau and he was an engineer and a computer nut. Now this is 1974 and we were going to do a road maintenance loan. We were going to put together a project with hundreds of kilometers of rural roads, gravel roads. Mostly reconstruction, low maintenance. So Mike said look we have to have some kind of a scheme to rank order these roads, he says, I have a computer program in California, and I have to access it by phone. I was amazed, I didn't know anything about this stuff. So when he and I left for Haiti he was carrying a suitcase, which was a computer, the size of a four-suitcase Samsonite but that was the computer and he had a thing about the size of a handbag, which was a phone modem and before we left he arranged that he could connect into a computer link in Florida, which would then have a link via satellites, which would then give him his connection into California. they had a computer program which would do the calculations for rank ordering of roads on the basis of a farm budget. In other words, you would put in the factors of a typical farm budget for the area served by the road, and it would give you the cost benefit and tell you this road is higher ranked in terms of return than this other road. We wanted to identify which roads we should do. So we went in and talked to people at the telephone system in Haiti, which in 1974 was run by RCA. It was what you could imagine it was, which was a bunch of operators sitting around and putting plugs in things. He said, look I need to connect to an international phone line in Florida. Can I do so? Oh, sure, no problem. So we started

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running the program and got about half way through and caflooeey, the thing would just run off, the sheet of paper would turn into gibberish and after four or five times, we figure something's wrong here. So we go back to the phone company and we discovered that the operators are sitting around and they don't have a lot to do so they kind of plug in and out and all they'd hear on our line is static and they'd say "Hello!" and blow us off the line. We said, look, we are going to call them on this line and leave it alone, please. It took us days to do these calculations, which today you'd do maybe in about 20 minutes. Today, from the World Bank Resident Mission in Moscow, I can work on a file located in Washington, and communicate directly through email. Amazing progress.

Q: These were the days before the PC.

VENEZIA: Oh, yes, very much. We were trying to do our best with the technology that we had. Did Haiti, then Jamaica, did another loan, with Tom Stukel, to the University of West Indies. For three campuses, that loan was mostly physical infrastructure and did okay. Tom did most of that one, I oversaw it a little bit cause by that time I was chief of the division.

Then I did a TDY to Bolivia to help put together the municipal bank in Bolivia. Did some work on a municipal bank in Paraguay.

Q: After that. Tell a little bit about the operation in the LA/DR area. You've talked about having a really high reputation. It had a rather different structure than some of the other regions in the sense that the development resources office had a major control of the program.

VENEZIA: Yes.

Q: And the desks were back to back with the State Department at that time.

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VENEZIA: Right, it was a unique situation which I've always felt very comfortable with and felt that AID did itself a disservice when it backed away from it, but I could understand why it happened. The back to back arrangement was basically that AID and the State Department shared desk responsibility, in other words you had a geographic desk, there were three geographic desks as I recall. It was South America, and I'm trying to think if South America was divided into two, because Brazil for many years had its own desk. But whatever it was lets say three or four in Latin America, Central America clearly and then there was the Caribbean. Now the State Department for South America and the Caribbean had the directors and the deputies were from AID. In other words you had a true back to back arrangement. For Central America it was the other way around, there was an AID person who was the director and there was a state person who was the deputy director.

Q: Is there's a particular reason for that?

VENEZIA: I think it was one of those give and take things. Where Central America being probably an area where AID had a lot of programs, whatever, anyway it was a trade-off, and Herman Kleine brought it all together. It was a legislative product because it was a product of the passage of the Alliance for Progress as a line item in the budget. For many years the only reason the Alliance for Progress lived was because it had a line item in the budget and connected to that was Herman Kleine, who was what today we would call the Assistant Administrator for LAC.

Q: Okay.

VENEZIA: Herman Kleine had a joint appointment. He was Assistant Administrator for Latin America under AID and he was also commissioned as a Deputy Assistant Secretary of State for...

Q: the Alliance for Progress

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VENEZIA: Yes, he had an appointment in that line of authority. So he had a joint State/AID job. Herman was the one who backed away from that relationship because I believe he was a very moral guy, and he was always concerned about expenditure of funds and he, I think, became convinced that AID was being used by the State Department. You then had at State, at the desk level you had either the head of the office or the deputy. Then below that you had a parallel line of desks. You had a State Department officer in charge of, let's say, Costa Rica and there was an AID officer working in Costa Rica and they worked together. Obviously one worked on AID stuff, the other person worked on the State side.

Well, as for the AID stuff, there was the big sign in Herman's office, behind his desk. A big chart and it had a declining line which said, "levels of assistance to Latin America." That was going left to right down and then you had a line going up from left to right which intersected with this other line, which said loan repayment from Central, from Latin America. In other words we were approaching a time when there were more reflows coming from Latin America than there was official assistance going in. This would be mid 1970's when AID levels were heading south fast. The Vietnam war was going on, foreign assistance was going through a very tough time. Levels were going down like crazy, so Herman looked at this and he became convinced that State Department was using the AID people on these desks as cannon fodder for State business. They were answering CODELs, letters from congressmen, work which was not AID work.

Q: They were being used to carry out State Department functions.

VENEZIA: State Department functions. The State Department was having its own budget problems and they were relying on the AID people to do State Department work and I think that offended Herman. I forget the year, but I think there was a year when the Alliance line item was no longer earmarked. So the back to back relationship that had worked, stopped working and it just disappeared. Which was I think a shame. Back in LA/DR, Buster Brown, who was just ahead of me, came out of the Brazil program, and Fred Schieck who had just come out of Chile, they came back to Washington in 1971, with the New Initiatives.

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The way Buster tells the story - by the way and I suggest you use Buster as one of your interviewees, I don't know if he's on your list or not...

Q: Yes, he's on the list.

VENEZIA: Okay, Buster has an enormous amount of lore of the agency because he worked across a wide segment, but the way Buster tells this story he came back and anybody could play in the re-organization of AID. It was an open game and there were all kinds of ideas out there floating around and, the technical people were strongly suggesting that they be put in charge of the operation, and as he describes it, he said, this was crazy. He was a loan officer, he would've never worked for the technical people and so he and Fred Schieck, and a few other people got together and designed the LA/DR and put it forward, wrote it up and they were as astonished as everybody else when it was passed. It was not an organization that was shared...

Q: Was this under Herman Kleine?

VENEZIA: Under Herman, and it was not shared by the rest of the agency. Africa didn't adopt the model until much, much later. Asia resisted for, well, probably never adopted it, period as far as they were concerned. The Middle East was largely dominated by capital projects people. So they never had to face the issue. The technical people in the Middle East were never in the game anyway and you had the situation were in Asia the technical people ruled supreme. I found that out when I joined the Asia area bureau and I was regarded as an ESF junkie, I think I coined that term myself, but that's how they saw me. But the LA/DR became a machine. We could do anything. I don't want to over do this but tell us what you want to get done, just let us know what it is that has to be done. We'll organize it and we'll go out and we'll do it and you know it will be done, and done well.

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Q: What were the motivations for creating an LA/DR, apart from its own interest and the leadership? Was it to remove the operation from the State/AID integration effort so that AID had more control over its funds?

VENEZIA: Ah, that would be a perspective which would have happened before I got to Washington. Remember I got to Washington in '72 after a year of grad school. It was in place and my previous experience had been overseas in Guatemala and Costa Rica where I had very little exposure to Washington other than a short training program just before I joined the agency and a presentation of the IFAM loan when it came to Washington. So I couldn't give you an opinion on that. I don't recall hearing about the abuse of it, but there's always this tension between State and AID. So when I was in Washington...

Q: Was LA dominated by State?

VENEZIA: To a degree, certainly in Latin America the State Department was a lot closer. There seemed to be a lot more intervention sought, than you would find, for example, in Asia.

Q: Are there particular characteristics of the Latin American program that have promoted a strong LA/DR, apart from the fact that you had people with high competence?

VENEZIA: Well, Latin America was dominated mostly by loans. Asia had mostly grants and so we were trained as loan officers, which meant that the loan is a contract. It has to be passed by, it has to be ratified by a legislature. It's recorded in the agency. There are repayment terms, this is not fun and games guys, this is an international treaty signed between two governments which is registered in the treaty office in the United States and is with you for the next forty years. We tended to regard the instruments as something very serious and it had a concessional component, but it was a loan. All my training at the moment for what I'm doing at the World Bank in Central Asia and Russia -at the moment

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as a consultant I'm at the periphery of the World Bank - but I'm utilizing basically the loan officer skills I learned with AID. I work with IDA credits now and it is the same thing. It has to be negotiated, you cannot take anything for granted, you have to be assured that you covered, that you dot all your i's. It's a serious business and the process meant something. In other words you had to understand the process. The instrument itself assumed some importance and we were in charge of that, in other words we were the loan officers and once we stepped away from loans and moved to grants the aura of the loan officer disappeared.

Q: I think that there was a major technical assistance phase earlier on, but then it shifted to loans predominantly?

VENEZIA: The New Initiatives were aimed at much more self reliance on the part of the government, much less nitty gritty. I remember going to Guyana. I was having dinner with the AID engineer and we were going over the road segments of road construction that were done in the country and looking over at the map I noticed these two little short segments and I said where are these from. It turns out that Guyana had been a transport point during World War II for flying bombers from the United States over to Africa. So we had gone into Guyana, near Georgetown and had built this major concrete runway, dating from World War II and it sat there and it will be there for the millennium. But it sat there and it was parallel to the major highway. Well with a little imagination, at either end of the runway if you built these two short segments of roads coming down and connecting it into the main highway, you had a roadway for car racing, which what was happening on this section every Sunday. They would go out, including the AID engineer, and they would have these road races around, on what was a track, a mile long track, and it was financed as a loan. I was amazed and taken aback. I was never sure if the Government had approved these roads. The other thing I found, they had a contract with the University of Florida, Gainesville. I looked at the travel vouchers. I remember this took a lot of time. I looked at the reports, and this guy was flying in from Florida, this was 1972, '73, on 707 jets. To get from Florida to Guyana took a whole day. You stopped in different places and

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it was a big deal; it was an expensive trip. He was coming in weekly to check his crops of sunflowers. He had actually planted these test plots and he was flying in on a weekly basis from Florida to check on them under this AID financed university contract. That was not unusual in the agency in the '50's and 60's, that's maybe a little exaggeration, but there was an enormous amount of focus on the minutiae of development. In the early '70's it was decided to move away from that and move to a focus on direct action for the poorest of the poor. Later, in the 80's, we moved heavily to the policy side, toward a focus on public investments, to stop focusing on the minutiae. Unfortunately, under this present administration foreign assistance is moving back to the minutiae, and away from policy-based assistance.

Q: Yet there were a number of technical positions?

ENEZIA: Well, the technical people felt very much at sea, a bunch of them were sitting around, it was a tough period for them, they had been trained in their own particular field. Many of them well trained. Many of them were not comfortable in administration. Were not comfortable in policy, they were comfortable going out and kicking the dirt and they were actually doing that. I don't think there was any question that they didn't know what they were doing but the question was could we afford to do that as a developmental methodology and the decision was made that you couldn't and especially with the levels going down. So the loan officers filled that vacuum only in the sense of providing not the leadership but certainly the guidance and focusing then on the new ways of doing business, the new areas, and using a loan as an instrument.

It was an exciting time to be in Washington, as I mentioned the power, the influence, was there. Washington was highly interventionist, you could go to a mission and people wanted to know what Washington wanted to do. It was quite clear that you influenced the agenda up in Washington. So there was a sense that you were not on the side lines, even though you were in Washington, you were on the playing fields and that was always very exciting and all of us were in our 30's, a young crowd, we all kind of came to AID about the same

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time, many are just retiring now. We've all known each other over the years. It's been fun to see how people developed in different directions. But many of the people from that era have done very well and it was good training. I don't know how to say it any other way, it was confidence building, it certainly gave us a lot of exposure, a lot of different experiences and some of us went further than others but I think people like Buster became master players of AID/W's power structures and how to get things done in AID. I've always described myself, however, as more of a field person.

I've had two tours in Washington. The two times I came back to Washington, the first time unwittingly, I aimed at an action oriented position where I would be involved in projects, in getting things done. When I came back the second time I purposely looked for something again in the project area. I've never wanted to be a desk officer. I've never wanted to sit on a desk. I've never wanted to deal with the congressional briefing books and I've always seen myself as connected to the project side of the business. I think I have relatively decent skills in that area.

Q: You mention that the availability of resources was not a major concern?

VENEZIA: Well, it depended, because everything was relative. Latin America was going down. Which meant Colombia was closed. When Colombia closed it went fairly quickly. That landed with a thud, but at the same time the Caribbean was being opened up. The Caribbean was discovered. Castro was there, Castro was meddling around. There was already a beginning inkling of Granada. Jamaica was having terrible problems with Manley. Working back to back you saw most of the cables and you saw a lot of the discussions. Jamaica was under Manley. Jamaica was beginning to slip away. There some people, I'm not sure if it's true or not, there were people who were saying that in effect Castro was prepared to send troops to Jamaica at that time. The British were pulling out. They had no interest in being the banker or remaining in the area.

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I had standing orders when I went to the Caribbean two or three times a year. I always visited the British ODA office in Barbados, and I had standing orders when I talked to their representative, Sir Bruce Greatbatch. He was a wonderful guy with an enormous red nose and Sir Bruce had his job and his job was to get the British the hell out of the Caribbean and get these people off the British dole, and that included getting the U.S. in and my standing orders were - do not do any parallel financing, do not do any joint financing, he had a different scheme every time I went down and all of them seemed untenable because in effect the British were leaving and then they left and there was this vacuum, and we filled it. There was pressure from State to open a regional office in Barbados even as the ODA was phasing down to a caretaker level. State saw the Grenada situation, Jamaica was in rouble, and State came on very strongly.

Q: What did you do after working in LA/DR?

Transfer to capital development officer in ROCAP/Guatemala

VENEZIA: People said that the LA bureau was a closed shop and it was not entirely true, but there was enough of it, enough of it that was close to being true, that the impression was not entirely wrong. I got a call from Larry Harrison, my old boss in Costa Rica, who had been in my car pool, he lived about a block and a half away from here in the district, and he was the head of the DP when I was in DR and he then was sent to Guatemala as the director of ROCAP and he was down there about three or four months and he called me. He said, I need a loan officer, would you like to come down and become a loan officer for ROCAP and that was a dream assignment. My wife was American but had deep roots are in Guatemala. My kids had grown up in Guatemala and so we decided to go, although this time with one kid. One dog was dead, the maid was gone, but the ...

Q: The piano?

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VENEZIA: The third piano, the piano was fine. But the prospect of going back to Guatemala was very exciting. So we went back. Left Washington. Went back to Guatemala after we were in Washington for four a half years and went back to Guatemala and I became the capital development officer, just as loans were closing the door and going out the window. Capital development officer for Central America, and we spent the next three years there. The country was in pretty rough shape. We arrived six months after a major earthquake. My village, by the way, had been destroyed. I went back to my village and the house where I lived for two years was just an open block. If I had lived in that house I'd be dead. It was an older wooden building with some adobe walls, but with these heavy tiles, and the roofs came crashing down, and I lost a lot of friends in that town. So we ended up in Guatemala again, closing a little bit of a circle and ...

Q: February 5th, you were just talking about being assigned to ROCAP in Guatemala, completing the circle in the new role. What was your position?

VENEZIA: Oh, it was capital loan officer, which was the head of the loan office for ROCAP, the Regional Office of Central America and Panama. Panama was not a member of the Central American common market. I went down and ROCAP had a loan portfolio with the Central American Bank and some private financiers like LAAD..

Q: But let's back up a minute and say a little bit what was the purpose of ROCAP?

VENEZIA: Ah, ROCAP. ROCAP was a very innovative and very imaginative initiative on the part of the U.S. Government as part of the Alliance for Progress in the mid 60's. The Central American economy in those days represented small economies in their separate parts. So the US Government made a tactical and I think probably a strategic decision that their only real hope lay in their cooperating among themselves, and in those days before the open borders days, we were prepared to allow them to build a customs union around Central America and increase trade among themselves and raise tariffs with everybody else. Which today is diametrically opposed to where we are, what we're proposing. But

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in those days it had made some sense and it certainly fit in with a lot of the philosophy that was being put forth around the world. Similar things were happening in Africa and it was very much fit it with the CEPAL philosophy coming out of Chile and it also fit in with the Alliance, which focused on government investment. So I think people said, these economies by themselves lack the ability to attract investment. If a U.S. investor was going to come in and wanted a larger market, well fine. So ROCAP was, I'm not sure what came first, but ROCAP was there basically to foment and put into effect a series of regional initiatives. Many of which are in place today. ROCAP was responsible for the creation of most of the regional institutions of Central American.

Q: What institutions specifically?

VENEZIA: Well, take your pick. Any sector, any economic sector. It started pretty much in infrastructure. They opened up the borders, they communicated with themselves and a lot of work had been done earlier on the highway system and the Pan-American Highway in World War II had joined these countries and so there was this strong effort made to integrate them physically and institutionally. A lot of work went in and a lot of money. There were investments in public administration. There was a strong attempt to modernize telecommunications in the regional sense and the regional institute for telecommunications was set up to use satellites. There's an interesting side story on that.

This was the beginning of the space age. So the efforts involved creating a Central American telecommunications network that would look ahead and depend upon satellite communication. Most of land lines ran up through Mexico on a micro wave basis and I think there was some cable. But clearly the wave of the future was space communication. Well since we were putting up most of the money, we sat on a gold mine. We had a large role to play in the design of the structure. Well somebody back in the early '60's made a sine-qua-non condition for our investments. If there were was going to be a satellite up-station, it had to be in a very secure place. So that particular person, unknown, and whoever he worked with, chose the most secure location in Central America in those days

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which was Nicaragua. So Nicaragua was chosen because of Somoza and the satellite uplink was established in Nicaragua. 20 years later when the Sandinista's came in they had a marvelous source of tapping every international phone call made in the whole Central American area. So it was one of those ironic decisions which was made but which did not stand the test of time.

Anyway, there were a whole series of institutions like that. There were a whole series of regional institutions which were created, kind of like Central American Ministries. There was an institute for standards and industrial development ICAETI. There was the Central American Bank for Economic Integration. There was a secretariat called SIECA. There were a whole series of institutions like this. There were institutions of agricultural cooperation where you joined all the ministries of agriculture in an organization. Ministers met once a year. The ministers of economy, finance and heads of the Central Banks all met. There was a clearing house that was established to have the Central American central banks be able to settle their debts and foreign exchange accounts, and there was Central American Health Organization. It went on and on and on and we financed a large part of the start up costs of these and provided technical assistance and there was a great surge of early growth behind an external tariff. Once they put up the tariff a company for example, a cannery, a food cannery could go into one of the countries set up shop and then find that they could sell in Central America behind a tariff wall, The theory was that they would have protection after so long and then that protection would be diminished and that of course was a pipe dream.

Q: Did the U.S. Government go along with...

VENEZIA: Oh, yes, all part of the key. The idea was to attract as much foreign investment as is possible. Any question of Central America exporting outside Central America would have been an extra benefit. It was not the object, the object was to create a strong internal market and service the Central American economies.

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One of the interesting aspects of this which I had run into in Costa Rica earlier in my career, was a very innovative legal reform initiative: Bill Skidmore who was ROCAP regional lawyer for AID, made a correct and far sighted - and quite obvious observation - that if you're going to have a central market, a common market that was business oriented and made any sense, you had to have the legal framework. The legal framework was like a quilt, it was different in each country. So a contract signed in Guatemala wasn't quite enforceable in another country. So there were a whole series of problems. I believe I mentioned earlier in Costa Rica, in my earlier time that I had been exposed to a ROCAP project, in legal reform, and I believe it probably represented one of the earliest attempts to work in what is now referred to as governance. That was, with a ROCAP funded contract, with the law school at the University of Costa Rica for the creation of a case book, law textbook of Central American commercial law. Boris Kosalchek, now at the University of Arizona, law school, another visionary, came to Costa Rica, was a Cuban trained lawyer and he worked with a lawyer named Torejejo, maybe that's the name. A very prestigious Costa Rican commercial lawyer and they began to develop with ROCAP funding a series of cases for commercial law in Central America and that grew and it became the basis for a textbook which is currently used throughout Central America at the moment in all the law schools and that led in Costa Rica to a series of efforts which I supported strongly, on legal reform. It led Carlos Jose Gutierrez, the dean of the law school, to institute case study instruction as a way of replacing the then by rote method that was very common in those days and still very common in some places in Central America today where the professors would read from these faded yellow notes, then you simply took down notes if you came at all. But the whole idea was to use this as a wedge and Carlos Jose began to train various law professors in the new techniques. And then we used that as an example to go off into a legislative reference service which was at the Cost Rican assembly, and also at the supreme court where we were indexing supreme court decisions. Before in the country each lawyer had their own files of different cases. So, if you hired a lawyer he had his own particular cases that he would argue in the court of law, "Oh, you say you have this law,

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well I have this law which derogates your law,” and it was a game of gotcha and nobody could go to any one place and find what the real law was. Even judges were confused.

Anyway when I left Costa Rica the first time I had strongly promoted this and I was taken with it. I came back to it later on in 1990 when I got back to Costa Rica. I went back to those roots. All this had its roots in this early ROCAP project, with strengthening the law school, with trained professors and creating case law, we had the supreme court project with a place called Equity Publishing in New Hampshire, we had the cadastre and legal work in municipalities, so it was one of the early attempts by AID to work strongly in the area of governance, and it started with ROCAP.

After I left however, it fell upon very hard times, there was a communist deputy in the Costa Rican assembly called Manual Mora, a famous guy in Costa Rica, a dyed in the wool commie and he was in the congress and he stood up and he accused this whole thing as being a CIA plot. Not only did it blow up in AID's face, but Carlos Jose was thrown out as the dean of law school, it was just a terrible thing and it killed that kind of effort in Costa Rica pretty much until I returned 20 years later, AID never went back to it at all.

But anyway back to ROCAP. ROCAP had started this very innovative thing but clearly by the end of the 1960's easy gains from integration had probably run their course. A lot of the easy targets were accomplished very quickly, there's no price to pay, until you have to decide to try to lower some of these benefits given to these industries. It clearly became almost impossible to do that, so the Central American common market started running out of steam. The regional growths rates, I think, began to taper off, there was an enormous growth in an interregional trade and some job growth, but it was clearly not enough and the region was going through more and more difficult times. Politically it was never stable, Guatemala remained unstable and went through varied various periods of political crises, Nicaragua under increasing pressure because of Somoza. Somoza ran into an earthquake that caused serious damage in Nicaragua. We had moved in with a lot of money and within a couple of years there were allegations that the money hadn't been used the way

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it was supposed to be. The countries were under a lot of pressure. I don't know enough about Honduras at the time but the region was becoming unstable. If you listened to the Cubanologists; Castro was increasing his influence in the area. A lot of people had been trained: some of the early work we'd done in Guatemala in training those Indian leaders had caused a lot of people to stand up and question the status quo, so the whole region was going into an unstable environment which, in spite of the common market, began to affect negatively foreign investments.

The funds began to drop off a little bit and job growth was difficult to maintain so when I got there in 1976, I'd have to say it was probably 15 years after the central common market had established itself and taken off, and it was generally considered to be moribund. Larry Harrison had arrived a year earlier. Larry had been spending the time in Washington, more or less in exile. He had been PNGed out of Costa Rica for going head to head with the ambassador. The ambassador's name was Walter Plaiser, I'll never forget the guy. I was a very young officer, bright eyed and bushy tailed and I was giving him a briefing and he fell asleep on me. He was an ex-congressman out of the Eisenhower administration. A one term congressman, raised a lot of money for the Republicans and had been rewarded, had been sent to Costa Rica. The moment he arrived was the moment that Pepe Figueres was elected to his third term as President to Costa Rica and Larry knew Pepe from his earlier time in Costa Rica as program officer. Larry was an unabashed Liberacionista. He was pretty much a liberal Democrat, though, his later Nicaragua experience turned him into a disillusioned democrat, but then he believed very strongly in the Alliance, the philosophy and the method of the Alliance and had worked very closely with Costa Rican friends in the Liberacion party which was in power when he was there.

When he came back he was coming back to home ground. Well, Plaiser, Ambassador Walter Plaiser was very much a mid western, older, very conservative Republican. You talk about oil and water, it was just destined not to work. The problem came when Pepe decided he was going to open up to the Soviet Union. He wanted to establish relationships

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with the Soviet Union. I was not in the hierarchy, and I'm going to guess that there are other people in this exercise that are being interviewed on Costa Rica that can give a far more coherent view on what happened. But from my perspective - which was division chief level but not in the policy making part of the embassy - the embassy just split down the middle, one of those rare occasions where different elements took sides, and we ended up having, the first time I've ever heard of this, two program documents called the CASP in those days, which was the Country Assistance Strategy Paper. There were two of them. One which was supported by AID, the econ section and the mil group, which was a very small operation, the other one was supported by the ambassador, the CIA and I'm not sure, perhaps the DCM. Both papers went to Washington. It was the strangest thing you ever saw in your life. And one said, you know this is Costa Rica moving into the modern world. It's opening its relationships with whoever and it's part of a modernization process and it's certainly part of a graduation process. Well, Larry was convinced that Costa Rica was ready to graduate and, like I mentioned earlier, all the economic data was just glowing and it was quite clear that the Rostow theory was true and it was taking off, the wheels had just come off the ground and part of that was for them to look for their own place in the sun and if they had relationship with Russia then so be it. The other side thought that this was opening up, Costa Rica, indeed Central America, to Soviet infiltration. Big cold war stuff.

Well, Larry I think will have to stand or fall with his own thoughts on this issue but Larry was not a person to sit around and let events dictate things. He very much was interested in dictating events. Larry became very concerned and attempted to influence the outcome, in effect going around the Ambassador and back-channeling to Washington, and that took about probably a millisecond for anybody to figure out and things got pretty messy. There were allegations, and I suspect they were true, that Larry's phones were bugged by our own government. There was some question whether his house was bugged. He was clearly put under surveillance and I think probably caught with his hand in the cookie jar because he went to Washington for consultations. We were called into a meeting with Peter Krease, who was acting for Larry. Peter was acting for Larry when he was away,

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and he showed us a cable, drafted Walter Plaiser, approved Walter Plaiser. Mr. Lawrence Harrison is currently in Washington on a consultation. There is no reason for Mr. Harrison to return to post. I'm hereby appointing and my memory is a little shaky on this but I think he tried to appoint DCM as acting mission director or as mission director. Larry never came back to the country, stayed in Washington. So he ended up being the head of the program office and he was the one I later commuted to work with everyday.

Q: Why would an AID mission director would get involved in this; there must be another dimension to this in a sense that it was a political decision about opening up relationship with the Soviet Union?

VENEZIA: Well, Larry never saw himself as a purely developmental economist.

Q: Right.

VENEZIA: Larry had been in the Dominican Republic during the revolution. Larry knew most of the people in the State Department that were in the seats of power. Larry considered himself their peer. Larry did not see himself as a shrinking violet, so he felt very strongly, especially in terms of his own vision with regard to Central America and mostly Costa Rica, his own vision with Costa Rica. Trying to push Costa Rica back and I'm speculating now into the banana republic context within his vision of their graduating seemed to make no sense, so Larry was and is strong willed and not afraid to express his opinion and not afraid to engage in a fight. So he leaped into this fray and lost. Big time.

So he went to Washington. Later, we had a good relationship there in Washington, we would cross swords occasionally there. I remember coming back from a long trip to the Caribbean Development Bank. I guess it was the loan for recapitalization. I talked about this earlier. It was pretty much for general infrastructure work throughout the Caribbean. And Larry simply said to me in the car, "Look, I don't think we're going to do that. There's just not enough people there, you divide the number of people on these islands and 10 million dollars you get so much per capita, you know, its outrageous," and he put up a very

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strong fight. We disagreed professionally not personally. He was not afraid to engage. If he felt strong enough about something, he would engage. He won some, he lost some. This one he lost, the one on Costa Rica anyway. He ended up in Washington and the ROCAP mission director position came open and one of those strange things is that the ROCAP Mission Director in the hierarchy of US positions did not require White House approval, which given his history would have been difficult to obtain with his background under Nixon.

Q: Yeah, or Ford.

VENEZIA: Nixon, Ford

Q: Right.

VENEZIA: So when I went down, Larry had been there at least six months, maybe longer and Larry never felt comfortable unless he could do something big. It was always fun to see Larry operate as in Costa Rica where he was going to put together the golden handshake, 20 million dollar agricultural sector law. My loan for municipal development came afterward. Though it was considered part of it, it was actually the last loan, but it was part of that golden handshake package. So Larry's whole approach to Costa Rica was he was going to organize, mobilize these few resources and send Costa Rica off into the future. Well, ROCAP at the time was moribund and Larry took the same tack. He said look, a lot of work's been done on the infrastructure, a lot of work's been going on in industry, a lot of work has been going on in some of the social sectors. The one remaining barrier is helping trade and grain is the big issue and in a funny way it still is, most of them produce grain. So Larry carved out a major policy area of grain stabilization and put together a major proposal. By the way he did the same thing in Haiti late on, but in this case he put together a proposal for the Central Americans to cooperate on trade in grain. And he in effect said, Larry's an all or nothing guy, it's either this or something like this or some major

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progress in this area or we should close the place down. Well, it was very difficult going, there was very little cooperation anyway, and no one was prepared for a major initiative.

We were talking about 50 million dollars, which was a lot of money in those days, but it was an interesting amount, but not enough bait for the Central Americans. So he spent about a year or two and it was quite obvious that we weren't going anywhere.

Meanwhile, I was working on the Central American portfolio, which was with the Central American Bank, we had an active portfolio with LAAD which was the Latin American Agricultural Development Corporation, which I'd worked with also in the Caribbean, and they had an active program in the region. We had an almost disbursed program for the Harvard Grad School INCAE in Nicaragua. We had an interesting loan portfolio that I was working with and servicing and I was also working with several of the other people in the mission on projects, so I was happy doing what I felt I always wanted to do. So I felt that we were doing some interesting things besides all this effort to increase trade in grain.

Well, Larry came to the conclusion that this wasn't going to work. So he decided we were going to close ROCAP. Surprisingly enough, some of us disagreed. We didn't exactly write a proposal against that, but it was not something we all actively supported, and in effect Larry eventually accused me of not supporting him, not being loyal. But Larry put that proposal on the table and then went to Haiti. The Haiti mission job opened up, he was asked to go to Haiti, so he left and a different guy came in called Harry Ackerman who was a political guy with some AID experience, and the deputy was Barry Sidman who went off to Nicaragua, he became the AID mission director of Nicaragua just as that place began to go down in flames. So I ended up as capital loan officer cum acting deputy director of ROCAP. It was one of those being there things. Harry Ackerman, who was a delightful guy who kind of ended up in ROCAP because they weren't going to appoint him anywhere else, decided he would try to promote or continue Larry's dream which wasn't going anywhere. We had a couple of grant programs that we also decided to pursue, but Harry had a terrible back problem, and he became more and more sick, staying at home,

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he'd have to lie on a cement floor, terrible pain. So I ended up going to work every morning where it was me and Bob Hechtman and Don Fiester. We'd get together and say, "What are we going to do this morning?" Somebody had to run the place, so I ended up being put in charge. I was the acting deputy and I'm not a shrinking violet either, so I began to put my own stamp on things and which didn't make Harry very happy when he would come back in eventually and discover what we had done. But we eventually put together a small program which required approval by Washington and if they approved it they would have to continue ROCAP and they did. Probably one of the more evil things I did in my life. But in those days, it was hard to have a long term vision and I always felt that I was committed to Central America and I said to myself if we leave it's dead. Budget requirements in those days were not such that we had to make terrible trade-offs. Today you wouldn't stand a chance but in those days we got away with it.

Q: What was this program you put together?

VENEZIA: Oh, I think mostly it was CATIE. I worked the CATIE one and the one on ICAETI and there were several small grant programs, plus the loan portfolio which was disbursing.

Q: These are all regional projects?

VENEZIA: Regional projects. Meant to try to work with the other CA missions and I can't tell you whether they did any good or not.

Q: Did the other missions in the countries go along with it

VENEZIA: We had meetings every six months as I recall. There was a formal consultative group that got together. Barry Sidman who knew ROCAP, would attend and said quite clearly that he thought the ROCAP game was up. But the other Directors felt that as long as we weren't going to compete for the same resources, what the hell; it was quite clear that if we lost our resources, they weren't necessarily going to get them. As long as there

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was a resource transfer of some sort they were prepared to ahead with it and no one wanted to shake the tree any as I recall so this went on.

All of the sudden, from one day to the next, I got an offer to go to as deputy director to the mission in Santo Domingo and I could never figure out where it came from, I still can't in many ways. Harry Ackerman had been very kind to me in terms of EERs, and he spoke well of me to Lalo Valdez who was at that time AA for LA. Lalo was another political guy and Harry and he understood each other. I always say I could never fault Lalo's choice of executive talent. I thought he had a very perceptive appreciation of executive talent. (laughter) But he plucked me out of ROCAP and sent me to the Dominican Republic as deputy director.

Q: Before we go to there, what is your summary view of regional economic integration? That issue has been tossed back and forth and it can be quite controversial. What do you conclude about the potential or the lack of potential because it's still an issue in many parts of the world and Central America was considered at one time a sort of model for the ...

VENEZIA: Well, I don't think I have anything original to offer. The conventional wisdom is that maybe it benefits at a certain stage, cooperation certainly on an infrastructure basis and certainly on an institutional basis with regard, let's say, to clearing houses for currencies. But it was the creation of the exterior tariff law which created all the industrial inefficiency and it became corrupt. It became a situation where you could never take those away, so there may be a period of time, there might be circumstances where this makes sense for 5 years but you should always do it under a sunset law which was ironclad that could not be changed. I don't know, even then I would worry about it, that it had to go away. Once you put that into effect, it's almost impossible to take it away and the small gains that you have in an interregional trade are hard to justify in the context of the inefficiencies that you can create. I made a speech in Costa Rica later on when I got back there, that said in effect I could buy a shirt in Miami made in Costa Rica, cheaper than in Costa Rica. Well, something's wrong there.

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Q: Right.

VENEZIA: So you know if your emphasis is more balanced in terms of not only jobs, but of consumers it's a little hard to justify what we did. But I think in the context of modernization of the infrastructure and the modernization of the institutions, it certainly provided them with a more open world view of things, maybe creating a stepping stone to an open market. But it just proved not to be sustainable.

Q: Were there any industries that did do well despite the protection?

VENEZIA: The problem is that it became, how can I put it, it became property of one country or another. In other words, Guatemala got the tire plant. When Costa Rica wanted to put a tire plant in, it ran into the fact that Guatemala said, "Wait a minute, we've got a tire plant." It didn't matter that the tire plant in Guatemala maybe was old fashioned. I think at this point the lessons are that it's a very expensive stage. If you can, and let's see what happens ten years from now, twenty years from now, but if you can move towards open markets faster without going through this intermediate stage you're much better off.

The whole question is integrating yourself into the world market. Now you have what's going on is an open market that's being created in a regional sense, but they're not exclusive. In other words, by contrast, in Bolivia for example. Bolivia is actively engaged in a negotiation with the Andean pact. It has a bilateral relationship with Chile, and I believe Mercosur, which is another grouping of trade partners and it's engaged in a peripheral way with the United States. In that sense Bolivia is negotiating with a host of potential partners on trade. It's not locked in one death embrace with three or four other people for the millennium and I think that's more healthy. It gives a country many more options. Then there's the question of whether you look for balanced growth and clearly I think in Central America we are concerned that growth be more balanced. That one country not move ahead of the other or certainly in a place like Honduras, maybe you need a more accelerated growth so to keep up or catch up with its neighbors. All those things were

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discussed very strongly but I think in a sense a closed small market is a flawed instrument with limited short term impact which probably has higher cost, longer term costs, that eventually come home. So I would not advocate that. I am now an advocate of an open society, open economies.

Q: Well on the institutional side and the infrastructure side are there continuing benefits from the region in terms of cooperation and communication?

VENEZIA: You've got to have some sort of ability to allow people to move back and forth, and a small regional market should allow that. Although the labor markets in Central America are still somewhat restricted, but the heavy flow of refugees in the 80's broke down many barriers. Today there is a freer market of labor and goods than before and they have roads and communications.

Q: Right.

VENEZIA: And they are becoming more competitive. That's the issue. The issue is that they have to be put together in a way that their costs are competitive. If they're not then you're going to lose out.

Q: Good. Well, anything more on ROCAP?

VENEZIA: Well, not really, I think it's still there.

Q: Despite all the efforts to try to close it, it continues.

VENEZIA: There have been more efforts to close it and I guess I don't have an opinion on it anymore. I'm a little far away from it. When I went to Costa Rica the second time I looked at the regional programs from the perspective of being in Costa Rica and I was not impressed. I did not see many of those programs that I thought would stand the test of heavy scrutiny. There was one called RENARM which had a lot of money for natural resources. Maybe I'm a bad judge because they claim a lot of the work is being done in

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Costa Rica. It was hard for me to find it, but there are a lot of technicians running around and it was a vehicle for support of CATIE. CATIE was an organization put together on the basis of an old research station down in Turrialba, Costa Rica

Q: CATIE stands for?

VENEZIA: Centro Agrícola Technico de Investigation y Ensenaza, maybe that's right. CATIE, anyway, it was put together as an Central American institution and put under the aegis of IICA, and eventually spun itself off as a separate institution from IICA but never had a source of financing established. So we ended up using AID projects as a way of saving the institution, allowing it to train at the graduate level. It still exists. One of the things I did when I was in Costa Rica was to design a foundation arrangement for the local currency that was set aside for CATIE. I worked with CATIE, with the new leadership in CATIE, because the old leadership was bankrupt, it was out of ideas. The new group of people came in and we worked and established or formalized the support they were getting under a local currency arrangement into a foundation, with a board of directors and they bought it and we worked on the design and it was put in place and now they have at least a source of income.

Q: Were they endowed, did they...?

VENEZIA: Well, an endowment of Costa Rican local currency which provides them some part of their costs.

Q: I see.

VENEZIA: Before they had nothing. They had the AID projects and it was not sustainable. ...

Q: And the countries weren't supporting it?

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VENEZIA: Very little, if any. So these ROCAP projects were really a vehicle to keep CATIE alive, at least the agricultural and environmental part and they may have done a limited good. The institution is not bad. It's done a lot of education for agriculture, so ...

Q: Well, we'll come back to that maybe later. Then you moved on from here from the ROCAP to...

Assignment in the Dominican Republic as Deputy Mission Director - 1979

VENEZIA: Santo Domingo.

Q: Santo Domingo and as the deputy director?

VENEZIA: Deputy Director. It was a move to the Caribbean. I'd worked in the Caribbean. I been in the Dominican Republic once before, a housing conference. So it was a brand new country to me. So we arrived. Well we didn't arrive. We were supposed to arrive and the country was devastated by two hurricanes the weekend we were supposed to arrive, so I didn't go and I couldn't get in, there was no way in and they said, stay home. The last thing we want to do is to have you in. You can't help, you can only be a pain in the neck so just stay where you are. I said fine, thank you. So we got in there three weeks after the hurricane. It was a major hurricane. First one had hit with heavy winds. The second one had dumped an enormous amount of water and caused flooding. It was tremendous damage. After I arrived I began to participate in some of the reconstruction work. The telephone lines were spaghetti on the street. It was a very major hurricane. We did a coffee rehab project, shades of Haiti, and I applied some of my experience there. For some areas there was housing repairs, and we did a major rehab of downed electrical distribution lines.

The Mission Director was a guy called Phil Schwab. One of the great grand old men of Latin American AID. Known as Mr. Brazil, rightfully so, he had spent many years in Brazil. In the north east of Brazil and had ended up on the desk on Washington under the back

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to back arrangement as the AID deputy on the desk, and I think oversaw the closing down of Brazil. He was an educator by trade, and long experienced, a wonderful guy and the raconteur of stories. He had a story for almost every occasion. It was always very appropriate and very funny and he had a way of telling it which was very compelling. I was still pretty much wet behind the ears. I've had a little bit of experience in ROCAP but we're talking about my second, let's see, one, two, three, four, my fifth AID assignment and I was the deputy director of a decent sized AID mission. I felt I was moving along rather quickly and probably moving ahead of my learning curve, but anyway, I ended up being a young deputy, working for a grand old man, who was very youthful and we started out with a program that had come from the Balaguer days. Balaguer who was just finishing up on what was his fifth term now, had run for election about a year before and had manipulated the election. He or the army had manipulated the election and the word had come down from Washington to the embassy. Go in and tell Balaguer, start counting, because he had stopped counting the ballots, basically stopped because they were running against them. So Bob Yost, the new Ambassador, a wonderful guy, very unassuming guy, he came out of the inspection service. Very quiet, serious professional, decent, warm, human. He had his orders. So he phoned Balaguer and says I need to come talk to the President. He got no answer. Called him again, got no answer. Called all day, didn't get an answer. Would not grant him an appointment.

Now being an American Ambassador in the Dominican Republic is hard to explain. There are millions of Dominicans in New York City. There is an enormous link between the Dominican Republic and the United States. It goes much deeper than simply tourism. There's a cultural link and a deep affection and connection and a lot of back and forth - 6 months in New York, and 6 months in the Dominican Republic. The U.S. government played a strong role over the years, so the Ambassador is somebody. Well Bob Yost had a job to do and President Balaguer lived on Maximo Gomez, which was a major thoroughfare. There was always, on any given day, even on the most mundane day, there'd be a couple of hundred people hanging around either trying to see Balaguer or

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get jobs. During the elections there were a couple of thousand people and there was a bus stop right there and it had a bench. So after not getting any return phone calls from Balaguer, Bob Yost got in his car, his big Cadillac, got out of his car, and sat on the bench, and people said, he was instantly recognizable, people said, "what are you doing here?" "I've asked for an appointment from the President and I'm waiting for his answer.", the country was in political crisis at the time, he had stopped counting the ballots. The opposition had clearly thought they'd won, and they had, and so there was tremendous fervor in the country. So he sat there for hours in the sun and the press, television, all came and said, "What are you doing here?" He said, "I'm waiting for an appointment with the President.". He forced Balaguer to see him and when Balaguer finally received him, he said, "Start counting the ballots. Let me tell you what you're going to do, you're going to start counting the ballots," and Balaguer didn't dare ignore the advice. Anyway, I got there...

Q: Wonderful story.

ENEZIA: I got there after that election. Yes, Bob Yost was a wonderful guy. One of the best ambassadors I've ever seen. He's dead, by the way. Sickness caught in the foreign service, hepatitis. But anyway, I got there in the first year of the opposition and there was a euphoria. Here was an elected government, and reform minded, so there was a lot of effort to do something and right after the hurricane we had a package of hurricane assistance. So it was a very active mission, all of a sudden from one day to the next.

Under Balaguer, as he has proven again since the last time he came back into power, the Country ran on what I have always referred to as a milk bottle economic model, that is, he puts out the milk bottle every single day with a little note in it saying how many bottles of milk he wants today. When he was President he actually ran the check book of the government. He decided who got paid, who didn't and his only developmental philosophy was concrete. In other words, if it didn't move he paved it, or he painted it and that's all he believed in. Under his earlier days AID had serious problems. We had tried to put together

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an education loan (again under Larry Harrison influence) which involved raising teachers' salaries from an abysmal level and he'd said no. He wouldn't borrow, so we had hardly any program when I got to the Dominican Republic.

The portfolio before the hurricane was one agricultural loan and one health loan, that's all, and one accompanying grant and that was more or less it for the program. There were some programs in health and population So we had, depending on how you look at it, we had a clear field. We began to gin up, and as we were doing this the hurricane reconstruction assistance kicked in, and suddenly we had a very active government who then wanted to borrow, and wanted to get involved, change things. Unfortunately, they turned out to be terribly corrupt.

At the same time Central America was falling apart, probably about 1979. The Sandinistas were coming into Nicaragua, Castro was riding high, and the Kissinger report was about due for Central America - I think, I'm not sure, '79,'80. But there was the tidal wave of assistance aiming down our path.

Phil Schwab was a big picture man, and in many ways he delegated and so I was quite active in terms of being a deputy. I was a very engaged deputy and in charge of marshaling the various divisions. They would go to Phil, and I always wanted to make sure they felt they could. I remember this guy from the NSC visiting the DR, he came by and he said I'm here to find out what you think we should do with your ESF money and I said one, what's ESF?, and two, what ESF money?, and it was 10 million bucks. Which was to us you know an enormous amount of money and that was just a down payment. In the three years I was there the portfolio went from about ten million to a hundred million dollars.

It was amazing to watch this balloon go up, the result of the Reagan election and decision to confront Castro. Not only confront him but overwhelm him.

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Q: Was Castro a problem for the Dominican Republic, over the influence there?

VENEZIA: It was never my job to know that...

Q: Right.

VENEZIA: The Cubans were training a lot of the Dominicans on the Isle of Pines. But the Dominican Republic was a conservative country, conservative institutions, strong Church relatively corrupt but strong army, the army still played a major role....

Q: Right.

VENEZIA:and it was a relatively large country for the Caribbean, so we went along for ride and we developed a lot of imaginative programs.

Q: With the grant money?

VENEZIA: Grant and loans. We were doing loans in those days and we had a big PL 480 loan program. It was an annual PL 480 loan. We did projects in roads. We did projects in agriculture, education, one of the loans that I take pride in was the creation of a public administration project school in Santo Domingo. Part of the Catholic University which is on going at the moment and doing quite well I'm told. We had a program, education program in terms of student loans. We were one of the first Missions in LA to start a micro enterprise program among the vegetable vendors in the markets. It started with lending them money to buy their own bicycles instead of renting them each day at exorbitant rates. That led to women vendors capital, and then to small industry loans. The institution we created - ADEMI - today provides technical assistance to other like programs around the world. I worked directly on that with Aaron Benjamin, and we were quite pleased with the results.

Q: Right.

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VENEZIA: It was an exciting time. But I ran into trouble. Bob Yost left and was replaced by Bob Anderson, Robert Anderson, who was a very different guy and one of the things I had not learned in my short career at that time, was how to handle ambassadors. I always thought they were all like Bob Yost. Well, I can tell you, they're not, and Bob Anderson and I not only did not get on well, but he was a bully and I was bullied. I was intimidated. I look back on it and I say to myself, I wonder why I ever did that, but ...

Q: Where was Phil Schwab in this situation?

VENEZIA: Phil was the quintessential avoider of conflict. Phil ended up being a DCM. Acting DCM, and I started running the AID mission. Always consulting Phil, but I was doing the day to day stuff. Pretty much while he was across the street as DCM. Then Phil went on home leave, so I was there by myself and I was not prepared for what came. A guy who had been Kissinger's spokesman for the State Department, had been ambassador to Morocco as I recall, had been obviously interested in far greater things in life than being in the Dominican Republic but that was the only thing that he ended up being given, and he's just one of those people who was just an enormous pain in the ass to work with and very difficult to deal with. Very difficult for someone like me who would be intimidated by him. So it was bad and when I say bad, it was one of those times where you couldn't do anything right if you tried and anything you did ended up either looking bad or being bad. So...

Q: What was he trying to get you to do?

VENEZIA: There were a lot of problems. I had a 9 million dollar outstanding payment for a PL 480 loan from the government grain company and the guy who ran the grain company was the President's lead political advisor and was the guy who would invite the Ambassador and the President to dinner, at his house. Well I was trying to collect 9 million bucks from the guy, which he had clearly stolen, for his own - certainly for political - purposes, but I wasn't even sure that he hadn't done it personally. And he wore a gun on his ankle, which whenever he had meetings he would make sure that his leg dangled

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and you saw he was wearing a gun. He was an absolute Mafia thug and I was going to collect the money, and that was one issue and there were several issues with regard to AID's relationship to the government. He was very upset that I would go see a minister without his approval and I said to him, "Mr. Ambassador, you don't understand, my division chiefs go to see a minister without me. That's the only way you can work in this country. If I have to deal with a minister through you, I'm not going to get anything done." He couldn't understand that. He came out of the European Bureau of State, he came out of Morocco. I eventually went there, and found out that in Morocco nobody ever sees the King, unless it was a birthday or something. You were luckier than hell to see the Prime Minister and if you actually had a meeting with the Minister of Finance that was fat city.

Well, in the Dominican Republic I can remember under Bob Yost having a real down and out fight with the Minister of Agriculture, I'm not sure, it might have been on PL 480. I'm not sure what it was, but he was a good guy. It was a protocol discussion but it was on the facts and in any case when it was over, it was 4 o'clock in the afternoon. His name was Hipolito and he didn't enjoy the result of the meeting, so I called Ambassador Yost, and I said, "Mr. Ambassador, I have Hipolito here, and we just had a real to do on something," and asked him to do me a favor, he said, "Sure, Ron, come on up to the Residence for coffee with Hipolito." The residence was up behind the office so at 5 o'clock we just walked over to it, sat down and had coffee, talked about pleasant things and it set the Minister of Agriculture completely off his feet, and whatever problems he had at 3:30 or 4 o'clock simply disappeared, he went back to his office and said he'd had coffee with the American ambassador. Bob Yost could do that. Bob Anderson, never even understood it or never wanted to, I just felt extremely more and more uncomfortable and there was a parallel problem. And this was one of my own making.

I'd come out of the Alliance for Progress era. I'd gone to the Kennedy school, I'd studied in economics, I had gone back to Central America and I'd worked on social programs and I went to the Dominican Republic, and I said what this country needs is more social programs. Well there was an election in the United States and Reagan had become

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elected and the whole underpinning of foreign assistance had begun to shift. Part of my inexperience was my inability to recognize that. So the mission had to put together its annual strategy document and I oversaw that. It was done by the program officer, good guy and he said look you know I see a shift as necessary in our programs, and I said no, no, no, you don't understand. Look at the poverty around us, for God's sakes, we've got to hold the course on this thing. So we sent in a strategy document which temporized, continued along the social direction and paid very little, almost token attention to the private sector in this year. Well as it turned out, the strategy document was turned down, and that was unheard of. Phil had gone up to defend it, and got creamed. I felt bad about that, felt that I had let him down. He just said, let's do it again. Well, we tried again to put the same agenda forward with better justification this time and I went up to defend it and it was turned down for the second time. So I was having a real rough time in my career.

I didn't want to go to work in the morning. It was one of those times when I'd say, what's going to happen to me today with this guy and we were trouble with Washington, so I said to myself, well I can try and solve this problem or I can leave it behind me. So I let it be known, I guess, through a couple of phone calls that maybe I was the problem. I felt strongly that I failed Phil and I just felt I had to do something. So I let it be known that it was time for me to leave. I was open to leave, maybe we could solve the problem that way and I put together a third document which I said, "I don't believe in this document, but it's what they want to hear." So I put together a slam bang private sector oriented document and it passed no problem at all. Then I left.

I received an offer, to go to Washington, become the deputy director, at that time of the Near East. The guy that was the head of PD office, which was the capital development office which handled the infrastructure portfolio, can't think of his name, was an institution in AID. He was Mr. Capitol Development. So I left Latin America for parts unknown.

New assignment: Capital development in the Near East and Asia Bureau - 1984

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VENEZIA: Robert Bell was taking over as chief and he needed a deputy. They needed somebody with capital development experience and I was then among the dwindling number of loan officers who had actual capital development experience, so they asked me if I wanted the job and I said yeah, sure, it was time for me to go back to Washington. I had been overseas for almost 7 years. So I came back to Washington in the middle of the winter, February, 1982, and I joined the Near East Bureau capital development office. It was a strange environment for me because the Near East bureau was divided into two separate pieces. It had an infrastructure, capital development side, and then there was the technical side, so it was the antithesis of the Latin American model which had combined these two in one office. They still remained separate offices. There was tremendous rivalry, and the technical people felt very strongly about their programs and they defended them, and the whole bureau revolved around Egypt. It was what I called a horse and pigeon pie. There was Egypt and these other things hanging around. There was Jordan, a little bit of Morocco, there was a little bit of Tunisia, Cyprus was in there and there was a little bit of Italy reconstruction of schools, and the cash transfers to Israel, Turkey and Portugal for base rights. But Egypt was the hinge the whole thing swung on and Egypt was controversial. You had a program which had started out small with the embassy saying no more than 10 people. When I got there it was 110 in the mission and the bureau was run largely by the deputy administrator, as the AA was a political appointee with little development experience.

Q: Who was the assistant administrator?

VENEZIA: The assistant administrator was Tony Ford, but the deputy administrator was Brad Langmaid. Brad is a very articulate guy, very loquacious, doesn't hide his light under a bushel, with very strong opinions on developmental issues. Brad was convinced that he was the mission director of Egypt. Matter of fact on any given moment I could probably identify 3 or 4 people in Washington who thought they were the mission director in Egypt,

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and then there was this poor guy out in Egypt who thought he was the mission director and so...

Q: Who was in Egypt then?

VENEZIA: Mike Stone. I saw him later in Costa Rica, by the way, when he was the deputy assistant secretary of the Army, and I'll get to this later on, he shows up very surprisingly. Decent guy. Came out of California, private businessman. Went to Egypt trying to make some sense out of this program. The Egyptians are the world's most tenacious and best negotiators, they are incredible and the country has had a history of waves of different cultures passing through, from the Romans and the Greeks, to the Brits and the Russians, and now the Americans. You know at any given point in time they've been using somebody and they were using us at the moment and we were paying their bills. This was connected into the Israel and the Camp David Accords. The price they had paid for peace was that they got their entitlement and that was exactly what they said it was, it was an entitlement and that's and that's how they acted. So the idea that Israel would get a check and they would have to humble themselves with projects was enough to gall them anyway. But the fact that we would then say, well, we want to talk to you about the substance of these projects was just awful. In spite of this the program had involved into a very complex program, lots of technical assistance and in pretty decent in developmental terms.

I think if you go back and look at the Egypt programs, some of the issues and some of things that were done in agriculture, and some of the things family planning and in health, they are very respectable developmental programs. Water and sanitation absorbed over a billion dollars alone. Things were done there that would stand the test almost anywhere else in the world. But there was this terrible tension between Egypt and Washington. We had spent a lot of money on improving the phone system. There was a time when it was easier to make a phone call from Alexandria to Cairo, by calling Cairo through Greece. We put a lot of money into modernizing the phone system and one result was that the

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AID Mission was on the phone to Washington, to their counterparts, or visa versa, and it was a real mess. You couldn't get any decisions. The Egyptians I'm sure were listening in on all this chaos. Well, Mike I think eventually left and was replaced by Frank Kimball. Frank went out and he said he'd take the job, but on one condition, and the condition was that he was going to be Mission Director in Egypt. He in effect negotiated becoming an independent entity and that was tested a couple of times by some people who tried to go around him and used their Washington contacts and they were fired from their positions.

Q: It seems he had a direct line to the administrator?

VENEZIA: That's correct the...

Q: rather than through the...

VENEZIA: Well, he cut his deal with McPherson, he said McPherson wanted him to go and he said I won't take the job under this present circumstances so while I was in the bureau, I watched this transformation which was basically healthy. Meanwhile I was learning the bureau which was totally new to me. I kept saying to myself, "where the hell is Muscat?" My geographic antennae were just entirely screwed up. I had lived for so long in this comfortable Latin America, I knew exactly where everything was. I knew almost to the minute how much time a plane would take you from point to the other and I'd traveled the areas, and I spoke the language. So I was going through a little bit of culture shock. Arabic, God knows what else, and so I was learning and trying to keep my head down. I was also licking my wounds from the Dominican Republican experience so I was a little shy, a little timid, and I began to find out what role I could play.

Now Bob Bell, God rest his soul, who moved on to Kenya and died of a heart attack out on the tennis court. Young man, 49 years old, anyway he was an extraordinarily nice guy to work with. He was friendly, he was correct, he wasn't the kind of guy you could be buddy-buddy with, because he was a New Englander. But we had a good relationship and he

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encouraged me so I began to do some things. I went out to Italy, did some trips around the area, saw the earthquake areas, went out to Egypt.

But my first year there was undistinguished. It was a declining portfolio, what with Egypt moving away on its own. A lot of things were happening which didn't allow somebody to become aggressive in that sense. But then we heard about the merger. Once the Egypt portfolio was moved to Egypt and not in Washington, there was this all dressed up and nowhere to go operation in Washington, which clearly was over-staffed, so they began to talk about a merger and they merged Asia and the near East bureau. I had bet Bob Bell, I said Bob, there's only one way to run a situation like this and that is with two deputies. You've got to have a deputy on one and a deputy on the other, and I said there's nobody around here who can do the job like you and I'll bet you are it for the Near East, and he said no way and I said I'll bet you a buck and about a week later he came down and put a buck on my table on my desk and he became the deputy for the Near East side. He did an excellent job there.

With Bob moving on, in effect, I was the one remaining guy from the Near East. Peter Bloom was on the Asia side, and Peter was a lawyer and had done quite well in coming back and revitalizing his PD office so they merged us. I became the deputy of the combined office. Well this was a marvelous opportunity. All of a sudden from seeing the world through either going to Cairo or going to Jordan, all of a sudden we had the world. If you took away Latin America and you took away Africa, which I never had been interested in, I'm not intellectually interested in Africa for some reason, everything else was in our office. We managed the process of project review and approval so all of a sudden, literally from one day to the next, I found myself looking at the map and saying "wow" and during the next three years I had probably one of the more exciting moments of my AID career in terms of just exposure, exposure in the sense of being able to see the AID in its world wide operations.

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There were 23 countries in the bureau. I visited all of them except Lebanon, which I couldn't get to, and Fiji which was way off the beaten track. To the rest of them I had extensive travel. and then during this period of time there were these crazy programs. Like the Anglo Irish Accord in Ireland. The British put together this agreement with the Irish and they wanted to spread it around a little bit, get international approval. So they created this fund and AID never had a chance. With Ronald Reagan, Tip O'Neill, we never stood a chance. So they came and they said we need some money, and Tip said sure how much and it was agreed that the first of installment would be 50 million dollars. Well, somebody had to go over and negotiate it. I had led some of the working level negotiations. Myself and Jerry Kamens from the desk where he was covering Israel and he also had some of the European countries like Cyprus and Portugal and Ireland, so Jerry and I would meet and then meet with people from the Embassy on a working level, trying to figure out what is it that would make sense, what could we do, what could they do, and we put together a three person negotiating team.

Bob Bell, who led the team, Jerry Kamens on the desk side and myself and we went to Ireland. We spent a week. Landed in England then flew to Belfast. We were the first visiting delegation from the U.S. Government and it was exciting. We were treated very well. We had drinks with the Prime Minister of Northern Ireland in Stormont Castle around his fireplace, they gave us an official dinner. We had all kinds of meetings and we traveled around and saw a lot of projects, visiting local officials. It turns out the British were pumping in 3 # billion pounds a year into Northern Ireland. A lot of that was security as they used Northern Ireland as a laboratory for security, anything that they invented with regard to security was first tested in Northern Ireland. The place must have had wires under every house. We stayed in the Hotel Europa, which today I saw mentioned during Clinton's visit, and it still has the same reputation. When we stayed there it was known as the hotel in the world that had the most bomb attempts or most bombs go off in the hotel. To get to it you had to go through elaborate security, you left your car about a half a block away and you had to carry stuff in from the street. I remember seeing a trout farm,

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a lot of lochs and we came around through Londonderry, known in the Irish part of town as Derry, Dundalk in Ireland down through the provinces and then onto Dublin where we had a big luncheon at the foreign ministry. Then, of course, we got hooked. AID still provides annual transfers to this program which is crazy. The British are putting in 3 # billion. They wanted somebody else putting some money in to give them an aura of international cooperation.

Q: What 'd you do with the money or what did they want to do?

ENEZIA: We tried to set up projects for employment generation but the environment was difficult given that British were already having trouble spending their own funds. Later, there was some criticism because they were refurbishing golf courses for tourism. It was not your main line AID stuff, but it wasn't all that unusual for the Bureau. We had a lot of unorthodox programs with political rationales - Pakistan, the cross-border program to the Afghan rebels, Cyprus, Poland. Another war story. I was traveling, I was coming through Istanbul as I had to go to Ankara to explain the new rules which required cash transfers to be deposited in a special account. The Israelis had seven lobbyists on the floor of the Congress attempting to knock that position out and they failed. They were required to do that and so were the Turks, so I was on a tour advising people what to do about the official accounts. I was going to go through Istanbul and Ankara and just before I left on the trip we'd been having conversations in Washington about how to support the solidarity movement in Poland.

Congress had voted 10 million dollars earmarked for solidarity. Barbara Turner was the head of the Bureau's technical office, and she'd had a little experience working with the Zablocki Hospital in Poland, so she'd had some experience working with Poles. The question was how do we spend 10 million dollars in a country which is behind the Iron Curtain and we don't have any relations with, we don't have a bilateral, how do we do this? It was the kind of problem I love to deal with. We said to them well give us your ideas and we'll start there and the first thing they came in and said we'd like to spend the 10 million

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dollars on underground printing presses and aid to families of people being held in jail so we can provide plenty of money for their families. We said, well that's interesting.

Now you have to understand this is public money. We're not Langley. We have to account for this money so we said let's think about something else and in Poland the church had started a foundation and the General that was running the country, who was attempting to accommodate, made it clear that he would allow the money to go to the foundation but for very narrow reasons. Well the church said well okay we want to put in some water projects for small farms, private farms, we said well that sounds fine. What we came up with was a scheme that allowed them, the foundation, to import agricultural commodities like implements from the United States, sell them at market value, and then take the zlotys that were generated. We couldn't put dollars into these small farms so we generated zlotys which would then be used for putting in these water systems. Well I was going through Istanbul on the trip and I'd been involved in these discussions in Washington. They said, "We want you to go Warsaw," and I said, "All right. How long?" "Three or four days." "Fine, okay." So I went to the AID travel office. "Look, I've got this trip. I'm coming through Istanbul and Ankara. Can you get me from Istanbul to Warsaw?" So she put her hand on the computer, tick-tick-tick, "Oh, yeah, there's a daily flight, but it's at three in the morning," and I said, "Oh terrific, book me." She said fine, booked me on the flight. Well, I get on the trip and I get into Ankara and Ankara is a bowl full of smoke so I get up Saturday morning to try to get out of the damn place and can't get out. It takes me 'til the afternoon, Saturday afternoon, to get out to get to Istanbul and I had planned to spend the weekend in Istanbul. It was my first time, and I was going to go see the Topkapi and I got there late Saturday afternoon and Topkapi was closed and I was running around and the next day I went to the Blue Mosque, rushing, rushing, rushing and I had too much raki to drink Saturday night at a little Greek restaurant and I wasn't feeling good anyway. I forgot to confirm my flight and the flight was leaving at 3 o'clock in the morning.

Monday morning and I left my hotel at 12, I had to give up my room, because the place was packed, took a cab to the airport, an absolutely jet black airport except for one little

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light and I said ah, gee and I look and it says Lot Airlines, oh, thank God, so I haul my bag inside, get in line, get to the front of the line, give my ticket and my passport to the guy who looks at me, looks at my ticket, looks at my passport, looks at me, looks at everything and says, "You can't go on this flight." I said, "Why not, it says right here?" "Oh no, I'm sorry, you can't go on this flight." I said, "I'm sorry, look I've got this reservation." He said, "It's a charter flight." "Oh gee I'm sorry, well, you know, the AID travel office made a mistake but..." He says, "I'm sorry, you can't go," and I said, "You don't understand. I have an appointment with official people in Warsaw; they're waiting for me, I have this visa, diplomatic passport, I'm going on the flight." He says, "You can't go on the flight," and I said, "Why not?" He says, "I have a hundred seventeen seats..." it was one of those Russian turbo props "...and I've got a hundred seventeen passengers." I turn around and here are these Poles.

This is before the wall had come down. Their shtick was to fly into Istanbul, buy about eight sets of denim clothing and a bunch of other goodies, and wear them back and sell them. So I look and I tell you, for one, it's hard to find a thin Pole anyway, and here are these Poles in about eight sets of denim clothing and all standing around and I said, "Look, I'm very sorry there's this mix up but I must go and I'm going to go on that flight now. I don't care what you do, but arrange it." He got all flustered and he said, "Let me check." He goes somewhere, he came back in 5 minutes later and he says, "Well, I talked to the Captain and he's invited you to sit in the cockpit." I said, "Fine, no problem." So we go out to the plane, these Poles strap themselves into these little seats. That was the funniest thing. You look at all these people and you wonder how they breathe. I'm taken on, the last guy. I go on the flight, I go into the cabin, they've got the engineer seat ready, and they sit me down. It's a Polish crew, they all speak English, they hate the Russians, they love Americans. They're just delighted to have me on the plane, they give me my own set of earphones. They take off, they're flying over Russia, I'm listening to the Russian air controllers speaking English because that's the international language and they're all pointing out this territory used to belong to Poland, and they're feeding me Vodka, they're

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not drinking themselves, and we approach Warsaw, it's about 6:30 in the morning and I see the airport lights come on for us, we're the first plane in and I was landing in the Warsaw airport in the cockpit of a Russian plane with my own earphones and I said to myself, "This must be the reason I joined the foreign service." I was having a marvelous time.

Q: Right.

VENEZIA: And I had four days in Poland, we did a field trip and met a lot of Poles and negotiated what I think was the first major AID program in Poland.

Q: This was the one you just talked about.

VENEZIA: With the water systems. Worked very well. We worked through CARITAS. A lot of fun, I began to feel I was becoming an expert in divided societies. I was in Sri Lanka, Cyprus, Northern Ireland, the West Bank. we had programs on the West Bank that I was going in to visit and I would come through Jordan over the Allenby bridge because we had to identify with the Arabs and we'd always stay in eastern Jerusalem. Burgess's first husband was a Palestinian, family name of Daud or David, so I went and looked up the family and turns out they were quite an extensive family before 1948. we had programs there in Gaza and well before today's peace initiatives.

Q: What kind of programs?

VENEZIA: Oh, water, PVO programs, training, small public works, that sort of thing. Ed Harrell, then retired from Aid's private sector bureau and I went in once to try and promote private investment in the West Bank. You talk about climbing Everest. But we tried. Then there was Pakistan. Pakistan had become the counterweight to Egypt. Pakistan was a major program. I did several trips to Pakistan but one I went out specifically to advise on a major education project. They were trying to design it as a project.

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Q: A major what?

VENEZIA: Education, primary education project. It was a hundred and ten million dollar project. It had come into Washington and as head of the PDO it had come through me and I said look here you can't run a hundred and ten million dollar project like a project. These guys wanted to build hundreds of little schools and have engineers running around and I said you're crazy. You'll die under the paper, and they said it would be impossible to do anything else in Pakistan, and I said I can come out and help, they said sure, you come and tell us, it was a dare almost, you know, what can I tell them about Pakistan.

So they set me up. They were going to take me to Baluchistan Province, the wildest and most primitive in the country, and they couldn't get permission to travel there because of the security situation. So they took me the Chitral Region, which is the part that runs up along side between Pakistan above Peshawar, right along the Afghan borders. One of the poorest areas in the country and they took me up there to show me how impossible it was to do what I said had to be done, which was do it as a sector program, which was that we didn't build the school, they build the school with their money. We set out a whole series of policies, benchmarks. We said look, by year one you do this, we'll give you this much money. Now you can use this to build schools, and you agreed by the way, to build these schools and you can use this money to build schools but it's your money, not ours, and no paper receipts please. The World Bank education project was requiring receipts and was collapsing and not disbursing. I went and proved that the World Bank could not implement their program, was having difficulty because they were going through normal procedures.

Q: Was this the FAR technique? Are you familiar with the FAR?

VENEZIA: Well it was the sector loan technique, actually a rehash of my Colombia experience. It was budget support, based upon the policy agenda which we would measure. The policy agenda was quite specific with regard to girls, a lot of girls in school and other major policy issues. I convinced Jim Norris, who was then the Mission Director,

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we had a big meeting in the Mission where I took on the Mission. I convinced Jim that this was the only way to do it and they eventually agreed. So I was having this kind of career. It was a lot of fun. I had another wonderful experience, one that I don't think that many people in AID had, with the earthquake reconstruction of the schools in southern Italy. I forget the amount of money, 150 million bucks, a lot of money. We were having some pretty tough times with the Mafia so AID had decided, AID to build the schools themselves, we contracted directly, we got all the engineers.

It was a touchy program and I think I went in twice to look at what was going on. Well, for the first visit, the President of the Naples region, the governor, he's called presidente, came to see Toni Ford, the AA, and after the meeting I went up to him and I gave him my card. Through an interpreter I said, "Look, I'll be visiting the area in a couple weeks and I hope I'll be able to call on you." He looked at my card and, "Um, Venezia, um," he said, "Do you have your relatives in that area? Where are they from?" I said, "Well, they're somewhere's outside of Naples" and I found out from my father later that we're from Atripalda which is cheek and jowl to a town called Avellino. Well, by pure chance, one of the schools being built under this program and not only one of them but the crown jewel was a music conservatory right on the line between Avellino and Atripalda. It turns out that the mayor of Avellino was a Venezia, the bishop was a cousin Venezia and one of the leading town lights was a retired agricultural official who was my father's cousin. Well, this became known that one of the lost sheep who had become a grand official of the big U.S. Government was visiting and I wasn't going to tell them any different, to be frank, so I arrived and the luncheon that was given to me in my honor was the subject of telexes. If you're ever going to go back to your home village, there's only one way to do it and that's as a representative of the U.S. Government. They think you've got a hundred and fifty million bucks in your pocket. Anyway, I saw that program and that program in itself is interesting. It shows us what we could do directly. All of these things have their own lesson. I think I learned from all of them.

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Anyway there was this eclectic bureau that also had traditional things. I would go to Indonesia and I was regarded with a great deal of mistrust by the AID people from Asia. They thought of me as an ESF (Economic Support Fund) junkie. I'd come out of the Near East, and maybe worse, the Latin America Bureau. The Asia bureau was full of developmental elitists. They had their own view. Bill Fuller was the director in Indonesia, and Bill was very traditional himself and also thought that ESF would contaminate the program. Matter of fact the economists in his mission said that I was polluting their program by suggesting that they convert their development assistance (DA) program into a policy oriented cash transfer, which is what they did for a major Ag program under my guidance. I showed them how to do that and then sat in Washington and helped get it through. Bill was very appreciative of that and eventually we worked together when he was deputy administrator of the combined bureau.

I don't want to go on, and on, and there were each one of these examples where I felt I'd made a contribution from Washington and I brought a different point of view. I learned something generally along the way also. And that went on for, let see, 4 years, and that was an immensely, educational experience for me. I've got stuff in my house here from Burma, and damn few AID people have been in Burma. I just had an opportunity ...

Q: What was your sense of the overall policy or development strategy of the Bureau or AID at that time?

VENEZIA: Well, again, we were fiefdoms. I've always felt that was the strength of AID by the way, that you could do something different in Latin America, you could do something different in Asia, and what they would be doing in Asia made sense for Asia and probably wouldn't have made sense in Latin America. So my sense was that the agency was still compartmentalized in terms of methodologies and approaches. The agency still had different personalities for different countries. I always felt that was the interesting part of the agency. When the agency started to collapse recently and especially with the creation of the global bureau, especially when the State Department took over, you would begin

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to lose some of the innovation of AID. It's hard to innovate globally, you innovate locally. That's where a lot of the innovation was taking place, and I was either contributing or I was learning and it was very exciting intellectually. Our levels were okay, we'd recovered in terms of an agency. The Reagan administration years were good years for the agency.

Q: The big push on the private sector, the market orientation, did you get caught up in any of that?

VENEZIA: Oh, yeah, the private sector eventually became part of my responsibility as the head of PD. It wasn't until I got to Costa Rica that I felt actually comfortable in swinging a big bat in that area. I always felt a little uncomfortable because I wasn't quite sure what should be done. I remember that Julia Chang Bloch, the Assistant Administrator of Asia, Near East, put the private sector in my office. I argued for it to be a separate office. I thought that, if you want to make it do something, make it a separate office and give it some stature and then give it some money. But she didn't feel that way. So it ended up being in my office. It ended up being staffed by not top flight people and it was hard for us to figure out what to do. It went into the West Bank, for example, to try and promote private investment of the West Bank during the war, the Intifada. Most of the innovation was happening in the missions anyway. There were innovations going on in Bangladesh, in the Philippines, Bangkok, Indonesia was attempting to do some stuff. But it was hard to convince the Bureau, the Asia types that the basic human needs priorities was over. A little bit of replay of what I had gone through in the Dominican Republic, some of these people were just die hard.

Q: Right.

VENEZIA: And I wouldn't say that the office when I was the director made any kind of major impact in the area. We put together strategies. We attempted to set things up. I can't recall any kind of real breakthroughs that come to mind.

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Q: What would be the kind of thing you were trying to do?

VENEZIA: Oh, the whole idea was to try to attempt to set the stage for increased private investment. Asia was an obvious target. Where else were there emerging markets. Remember, this was before the breakup of the Soviet Union, and no one even could imagine that market opening up to US products. We were starting down a free trade track and many of these economies were just abysmally over-regulated. I'll never forget the interview I had in Tunisia. I went to see a small manufacturer and he said, "You know, if I want to hire somebody, I have to go get government permission." I said, "What do you mean?" He said it was some kind of quota thing. He said, "What they do is they go around to my competitors and they want to find out whether my hiring and expanding my business will have a detrimental impact on my competition and if it does, they'll deny me the opportunity to hire somebody." I said, "Wow, I'd never heard that before". I said to myself, now that's regulation. Tunisia was locked in this kind of thing and some countries were better off than others but this is what had been going on around the world. And to undo that took a long time, took a critical mass. It took a critical mass in Thailand. You had a group of people that had been trained overseas, came back and turned the country around. The same thing happened in Indonesia and Chile. These lessons helped me in Costa Rica later on. I realized that what you need is a critical mass of people that can make a difference and then let them do something.

Q: Let's come back to that.

VENEZIA: And so I forget, I'm trying to remember what your question...

Q: The private sector...

VENEZIA: We were trying to spend some money on the private sector. We were trying to set up business associations. There was a lot of experimentation, a lot of the money that was getting...

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Q: Did you get involved in any of the direct private investment operations, you know, with the private sector bureau which was providing direct financing?

VENEZIA: Sometimes, but I think they actually did their own things. Personally, I have done my own share of private sector lending, in Latin America when we made loans to LAAD, which was a financiera. I had been involved in some financiera loans in Central America so I understood the basics and I understood the principles. But I understood them as separate projects rather than a macro approach to an economy. I enjoyed learning in that area, I really did, and I learned enough that I felt comfortable. When I got to Costa Rica, my last post, I was rambunctious and ambitious in the private sector program area.

Q: How long were you in this position in the Asian bureau?

VENEZIA: Let's see I was there, well arrived in Washington in 1984 and five, five and a half years, and it was clear that I needed to move on. So Bill Fuller and I, we talked about it. Bill Fuller was the Deputy Assistant Administrator; he was the guy who I reported to. Jim Norris was the other....

Q: They were the two deputies in the...

VENEZIA: Two deputies in the bureau. At any given moment we would work for both of them. But Bill wrote my performance rating.

Q: How did that work?

VENEZIA: Well, fine. First of all, they were both marvelous guys. Jim Norris, even from the time that I swore I never would go overseas again to live, if Jim Norris asked me to do something for him, I'd have to give it some serious thought. He's a wonderful guy. One of probably AID's best. He's in Moscow now, but a man of immense integrity, but he could understand a wide range of things and come to the right conclusion. He didn't even have to like it, but he'd arrive there and he'd say this is what we have to do, and he got things

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done. He was a real doer and Bill, Bill Fuller was more of an agonizer but at the same time a real developmental intellectual. He brought a lot of horse power to what we did and he respected me because he knew I could get things done. I always felt that my forte was to get things done. What do you do on Monday morning

Q: He was more conceptional.

VENEZIA: He enjoyed the conceptual side of the business more, and it fit in with his academic background. It was his idea to nominate me for the State Department's Senior Seminar. He felt that I needed more polish. That seems to be a thread that runs through my whole career.... But he nominated me for Senior Seminar, which was described as the premier U.S. Government training program in the Government, they don't just say State Department, in the Government...

Q: Right.

VENEZIA: ...and it's a wonderful program. It's a year off.

Q: Right.

VENEZIA: And I set my cap, that I wanted to write my paper on the Israeli Lobby.

Q: Let me come back to that now. You were assigned to the Senior Seminar?

VENEZIA: Yeah, ...

Q: And this was 1989?

VENEZIA: 1989. Bill wrote a recommendation which was seconded by - I presume - the Agency and I was accepted. I was going to write my paper, and I said to myself well, I had a lot of not exposure but I'd had a lot of dealings with the Israeli cash transfer and I was fascinated with the Israelis that were negotiating this when they would come over from the

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embassy. There were several issues and each year they would come in bald faced to try and alter there terms of the transfer, especially in terms of shipping.

Q: Was there anything to negotiate, I thought you wrote a check?

VENEZIA: Yes and no, well, there was a check. The check had several aspects to it. One, the size of the check was related under the Cranston Amendment to the amount that Israel owned the United States. Israel had no substantial foreign debt to the IFM. We were their IFM.

Q: You're talking about international finance institutions?

VENEZIA: They didn't borrow from the IMF. They didn't borrow from the World Bank, they got our money and loans from the Export-Import Bank. Now they also got a lot of military equipment and some of that was under loans. So they had a large debt to the United States and the amount of cash transfer under the Cranston Amendment was suppose to be more or less equivalent to their annual debt payment. Most people don't understand this. Some people think that it's a gift to Israel. But it's in effect a wash. You know, they pay us, we pay them. It's meant to allow them also to go into their own bond market.

Q: Was the debt related to the military system?

VENEZIA: Most of it's military. A little bit of commercial but most of it's military. Anyway this began to go down. But people had forgotten the Cranston amendment. When we had shifted, the Israeli cash transfer had its root in the whole dialogue on commodity imports similar to what had happened in Colombia, where disbursements simply fell apart on Monday morning, because under a commodity import program you have to have a transaction and you have to have paper, you have to have a bank that issues a credit, you have to have an import, you have to have an import licenses, you have to have just the documents that show that it's been imported and there are rooms full of paper

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Q: Right.

VENEZIA: and eventually it bogs down on disbursement; paper cannot keep up with the disbursement or disbursement can't keep up with the paper, or your disbursements to slow to a crawl. Some people said, well, look, if you want to give them the money, just give them the money. As I think I mentioned in talking about Colombia, the commodity import people who are a special office in Washington, always represent their own constituency - which are U.S. suppliers and Congressman that are very interested in maritime issues. In Israel we had the same problem. Israel said, look at all this paper. We have to track it, it costs us more money than it's worth. So the Israeli cash transfer was instituted; however, there was an understanding that Israel at any given moment would be able to demonstrate that it had imported from the United States an amount of commodities - mostly grains - in an equivalent amount. So they had to demonstrate this and every year they would. It didn't have to be paper directly related to this but they would come up with this report that showed this happened.

Q: That they had imported a certain amount from U.S.?

VENEZIA: Well, that satisfied most people except the people that sell grain and the people that ship grain on U.S. bottoms. So the Israeli cash transfer still has some conditions that people don't know about, conditions with regard to Israeli promises to import a certain amount of U.S. grain and ship it at their own expense on U.S. bottoms. They had to demonstrate that and we'd check it. The Maritime office of the Maritime commission would be very interested in these guys. The Israelis couldn't get away with it. So they would come in every year and try to renegotiate and then when the special accounts hit, they went bananas, they said, this makes no sense. I said, "I agree it doesn't make any sense. I can't do anything so don't talk to me. Go talk to Congress." "That's what we're going to do; we don't agree either," and, as I said before, they had lobbyists on the floor trying to get an Israeli exception and they couldn't do it. Anyway, I was interested, fascinated, with the power of this kind of organization. So I was planning to do my year's research on AIPAC

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which was the Israeli political action committee. I thought it would be fun. I thought it would be kind of interesting. I wasn't sure anybody had looked at this issue. This was before a book came out on it. A book came out a year later on it, which was probably a hell of a lot better than what I would have written. I also thought I would study a little Arabic.

I was taken with the fact that I'd left Latin America to see new parts of the world. The Senior Seminar involved travel to all parts of the world. I was going to have a whole year off! I said to myself, "God, how did I get this?" and I had already had a year at Harvard. "Wow, I can't complain about this!"

Heads Contra Task Force Operation in Honduras - 1989

Then I met Ted Morris. Ted had come looking for me and Ted said, "Hi Ron." I knew Ted. I said, "Hi Ted." I said, "What do you want?" He said, "You know what I want," and I knew what he wanted. He was running the Contra Task Force in Washington. He had headed it up on the Washington side and it had two branches in Central America. The major one was in Honduras and there was a small one on the Costa Rican front. But the one in Honduras which was set up as an independent operation needed a director. A director of field operations and nobody wanted that job. Nobody, and here I was. I spoke practically fluent Spanish. I'd had enormous experience in Central America. I was going off for a year, nothing to do and here he was sitting on a priority program where he was meeting every morning with Secretary of State Shultz. Secretary of State Shultz started his day, every day with a fifteen minute briefing on the Contra Operation.

This was when AID was running it. I have no idea what happened before AID was running it because you had a situation where the CIA was running it first, and they got pulled out. We'll get into this probably next session. It was given to the State Department and they screwed up and finally gave it to AID because there was nobody else to do it and that's another story. I sat next to Congressman Bonior on the plane coming back from Asia, and I asked him, "Why did you do this to AID?" He said that nobody else would take it. So

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here was Ted, and he could pick and choose. He had chosen me and he just started a campaign and Ray Love, the Counselor of AID called me. And he said, "Ron, now we're not going to insist that you do this, but it's very important to the Agency. You're one of the few people we think can do this job and you're available. Of course, we're not going to hold this against you but we really want you to take this job." So I had to think about it and I said to myself, philosophically I wasn't opposed, I had voted for Reagan. I was comfortable with policies we had in Central America. I was convinced that it was part of what we had to do and I've always been comfortable with AID's relationship to foreign policy.

I've always regarded AID as part of American foreign policy. I've never been uncomfortable with the fact that I was promoting U.S. foreign policy with AID funds, U.S. foreign objectives which may or may not have developmental objectives. I've always felt that was the rationale. How could we think that we were sitting out on an ice flow somewhere? You're part of the U.S. Government establishment. I've always felt that this current administration started out with the feeling that they were going to go off on an ice flow for a little bit, and they were hauled back pretty quickly by Haiti and Bosnia, but it was too late. So I could not say to myself, look, I couldn't do a Bill Clinton, you know, I don't believe in this war and so therefore I will not do this.. I couldn't say that. Philosophically I knew it's what has to be done and I agree. Then the question became whether I could actually do it, if it meant giving up my year. It was a hard decision and I thought about it for a day and I came home and I talked to Burgess and I said, look, you know life's full of choices. You've got to make a choice somewhere along the line. Most of my jobs in AID had just appeared and I've never had a job I didn't like and I think this will be exciting, so I took it. Gave up my year off.

Q: Were they mad at the Senior Seminar?

VENEZIA: They actually denied the Agency a candidate the next year because of it, my picture was in the book.

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Q: How long were you in Honduras?

VENEZIA: One year.

Observations on Near East / Asia Bureau assignment

Q: You wanted to talk a little bit more about your experience with the Asian Near East Bureau.

VENEZIA: Well in retrospect... this is now a week later.

Q: Right.

VENEZIA: ... and on thinking about it I think I have left the impression that it was more of a travel log than anything else. In retrospect, I enjoyed the almost worldwide travel. It was an immense learning experience given the short time I'd spent anywhere else but in Central America and Latin America. The opportunity to have seen a whole range of activities and the way AID operated was unique. It was almost like going back to school again. It was a truly rewarding experience at this point in my career, having the opportunity to continue to learn and to be associated with people who were doing things much differently than I'd seen before. I kind of felt I gave as good as I got, in terms of passing on some of the things I felt were important and some of the approaches that I thought made sense, and trying to focus my own thoughts.

During that period I did focus my thoughts on establishing for me what became almost a creed and I've used that creed since. I've always thought that there were three things that were important for someone like myself who was not a developmental expert in a specific field, in other words, a population type or an agricultural type. I counseled a lot of the people that were working on my side of the fence in terms of project officers or non-technical people. I actually counseled them because I felt I had something to pass on: that I was the chief of the office and that was, basically, you could always ask three questions

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of anything we ever did. You could ask them of a technical person and if a technical person in all of his wisdom and experience couldn't answer the three questions, the person who was asking the questions ought to worry a little bit. The first question was, is what we are doing make any sense. Just simply, does it make any sense? The second question would be, will it work? Can you get there from here? Is it a real thing? And the third one would be, will it make a difference? I said, you can ask those three questions, and I have used that, by the way, for more than several years...

Q: Interesting.

VENEZIA: ...in my own approach to life in terms of AID issues and programs and development approaches later on. I said, don't be afraid of a technician, respect a technician and don't be afraid - just because you don't know anything about it - that you can't simply talk to him.

Q: Right.

VENEZIA: Ask these three questions and make sure you're satisfied with the answers. I developed that philosophy and applied it and then felt good about it. I just wanted to reflect on that Asian/Near East experience. It was a mind opener. It was equivalent to my experience at Harvard in '72. It was just simply a whole new thing, a whole new exposure to new things, new people, new ways of doing business and it renewed me in many ways. Q: I was reviewing a report today and the repeated comment that came up was, in conjunction with loan projects, the issue of what you might call either political interference or corruption on the part of the primary figure in the country or political interference from the State Department or someone. Where you knew what was right and you were trying to get the thing to function properly. But it was getting off track or there were issues and in your efforts to get it back on track you were intercepted in effect either a political decision or by a political decision on the State side, that overruled you. Have you had that experience?

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VENEZIA: I would have to say, probably, yes, in every single position I've ever had.

Q: Particular projects I ...

VENEZIA: I've always felt as I moved along in my career that the higher I rose the more people I worked for. I just got more and more bosses. Forget about having bigger staff, I just got more and more people that thought that I reported to them, and that always included the State Department. It always included an ambassador, somebody on the AID side, either at a policy level or a technical level, that had something to say or who was in a position to exert influence. I think people that are successful in this business recognize that that's part of the game and that people that are successful learn to manage. You simply understand that you have constituencies that you have to take care of and you have to work with them. Now there are sometimes that you get blind sided and there are also sometimes that you don't win. But it also a measure of your judgement, the fights you make and the fights you stand on.

Q: I was wondering, you were speaking of the three characteristics of your creed and so on. Did you ever tried to use those with an ambassador or with a State Department instruction or with a government trying to convince them what they suggesting wasn't good sense?

VENEZIA: There was one, a true lesson to me, on speaking truth to power. I'm somewhat outspoken anyway, I think my reputation in AID is not to hold back an opinion. Well, I certainly think that after the Dominican Republic, especially when I went to Washington, I was known as someone who speaks his mind and sometimes not to my benefit. There were lots of examples, internally in AID when Julia Chang Bloch left and Mrs. Adelman came in, she worked for AID as a technician at one time, and she came back as head of the bureau. She was quite clever and quite articulate and she was very strong in her own field which was health.

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The P.D. Office was known as the nuts and bolts shop, so she turned to me and asked if I would do an analysis of the Bureau to try and find out how we could avoid road blocks. I went around and interviewed a lot of people. I interviewed our two Deputies. The question was, how can we do things simpler? What is the major obstacle to getting things done quicker and faster and in a more agile way? I analyzed results and I had a meeting with her and I said, "Ms. Adelman, I have analyzed the results of my interviews and I have to say that, unanimously, the biggest obstacle of getting things done is you. You can't make a decision. You leave things in your in box, you constantly send them back for further information, things can't get through you. Then you second guess every decision that's been made, so your Deputies have stopped making decisions, they simply refer everything to you. Their feeling is that 'If she's going to second guess everything then fine, let her do it.'" That was the last meeting I had with her on that topic. In many ways, on several other topics also. She just could not accept it. I think there were lots of cases as I was coming up the line, where my perspective was not totally complete on issues. If I was going to advocate something, I always advocated it strongly. Especially early on in my career I would feel very comfortable in advocating a strong position. You win some and you lose some. As I became closer to the policy end of the business I had to make choices. Certainly in my position in Costa Rica, there was a major problem with expropriations of American-owned property in the country.

Q: We'll come to Costa Rica after a bit.

VENEZIA: Okay. But there was a clear case where I felt (I'm not sure I was correct in hindsight) but I felt strongly that we had painted ourselves into a corner on expropriations. We can come back to that. I also lost that issue. There was another one where I lost in the short run but I think the Agency finally came around in the long run. That was on the creation of the Costa Rica Foundation. Sure, I think there are lots of times when you see things through your own particular perspective and I guess the most important thing to do is to appreciate other peoples perspectives. Anticipate them if you can and then decide

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whether it's important or not. If its really important then I think you make a stand. If you lose, you lose. You lose gracefully, hopefully.

Q: Let's turn to Honduras and we'll come back to some of those points later on.

An adventure in Honduras with the Contras - 1989

VENEZIA: Honduras was, I'm not sure what to call it, an adventure, an episode, it was a crazy situation. The Contras had been fighting for several years, this would be 1989 now. The Costa Ricans, the Sandinistas and the U.S. Government on one side, and the Cubans and Soviets on the other side, had fought to a stand still. In effect, it was quite clear that neither side could win. The elections were coming; Reagan was going out of office and I think Jim Baker who was (as far as anybody could tell, and I don't have any insights on it) the master politician.

Q: Jim Baker was the Secretary of State.

VENEZIA: The decision was made that this had gone on long enough. It was highly divisive, as you can imagine, with the body of politics in the United States. Reagan had been handed a budget - I forget what year it was, probably 1986 - in which the entire budget was given to him in one fell swoop. It had one last article in it just before his signature and that was denying assistance to Contra. He was invited to veto the entire budget on that issue. He did not. The question became, what to do with the Contras? There are a lot of people who are going to write this history and I don't intend to, but when I came along clearly the decision had been reached that something had to give. The emphasis switched over to elections in Nicaragua and the entire focus of the U.S. Government then shifted to trying to create the conditions for elections, that meant a cease fire. A cease fire was put into effect but the Contras then retreated out of Nicaragua to Honduras and set up camp in what was one of their original camps, a place called Yamales.

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Yamales was a valley about 10 kilometers from the border, in the jungle basically. There were a couple of camps further up the line towards the north coast of Honduras, and there were 18,000 armed troops, some of whom were still in Nicaragua at the time and there were 40,000 family members who had followed their troops out and were living in town. Basically they weren't living so much in the valley, though some were in the valley, but many were in the towns just outside the valley. The Contras were clearly not encouraged to continue a very aggressive campaign in Nicaragua. The peace process was obviously going to take some time, so something had to be done. The background is now pretty much a part of history. The CIA had started their support to them and had run afoul with Congress. I don't think Congress could actually cut off support to the Contras so the job was turned over to the State Department. The State Department did it for a few years and it also ran afoul of the auditors. The job had to go to somebody, it was quite clear that State couldn't handle it.

I remember coming back (this was before I knew I was going down there) from one of my trips to the Far East and we stopped in Detroit, Michigan and David Bonior got on the plane and sat next to me. I was in business class, at that time we could fly business class for long trips. He sat down and ordered two double scotches or maybe it was bourbon, I'm not sure but he was going back to Washington and he was there so we talked. He was an approachable guy, a quiet guy, and we were talking and I said "How could you have given AID this job of taking care of the Contras?" he said "Because nobody else could do it and there wasn't anybody who would take it, and we had to give it to somebody. So AID got stuck with it." That was basically the answer.

When it happened, AID formed a task force, Ted Morris was called up. Ted probably still has the reputation of getting anything done against impossible odds and Bob Meegan was called in as his Deputy, who was a lawyer, a very, very creative lawyer. They were told to put together a team, so they put together a team and they started what was referred to as the Task Force for Humanitarian Assistance for Nicaragua Resistance. It had two

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fronts, to the north of Nicaragua which would be Honduras and then on the Costa Rican side. The Costa Rican front was a much, much smaller operation. They set up shop in Honduras in the Embassy as a task force. They were not connected to the AID program there at all, there was no connection there in terms of communication. The AID program in Honduras looked at this like, well, I won't even mention what that was. [laughter] John Sanbrailo was the Mission Director at the time. John was just appalled that this was going to be in his backyard, and of course, didn't want anything to do with it. They had to set up a whole separate arrangement, a parallel aid mission in the country but based in the Embassy and it was very, very minimum quarters. We're talking about small rooms, two or three people to a room. That went on for a couple of years, the truce held and they were trying to get the elections going. The then Director of Field Operations said he wanted to move on. I'm not sure that he was seen as being all that effective. They obviously needed somebody, so there I went. It was obvious that this thing was entering a final phase. I went down, I left Burgess in the house. Our son and daughter had just come back from a stint of school and they were looking for a house in the area so they moved into the house, so that side of the equation became a lot easier. Then Burgess decided to join me for periods of time and then come back. We started this operation, I went down and decided that "If you get lemons, you make lemonade." This was my first real opportunity to manage a field operation. It was the equivalent of a Mission Directorship, but it wasn't really, it wasn't a mission. But I had 250 people and a fifty million dollar program.

Q: They were Americans?

ENEZIA: Well, let's see. There were ten direct hires, then there were approximately 20 PSCs, and we had institutional contractors doing a whole host of things. We had an institutional contractor doing training out in the valley. We did an enormous amount in training for the Contras. We had an institution contractor on health and then we had 50 auditors. There were 50 Price Waterhouse auditors, most of them were Hondurans connected to the Price Waterhouse Operation in Honduras. The GAO had set up their own connection here. The GAO sat in on my staff meetings. A very cooperative operation, I

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can tell you. Everyone was going to make this work. General Beckington, AID's Inspector General, was the second person they talked to in AID when AID got the phone call from State and Congress, he was also on board. The Agency had to protect itself, so we were super careful. The GAO was down there and the RIG (Regional Inspector General) had their offices in Honduras. There was a RIG auditor who sat in on my staff meetings and he also had complete access. So you added all of these things up and it was a big operation. It was the strangest thing I had ever been involved with in my life. I don't know what story to tell you, they were all different and fascinating.

Q: Well, what was the overall mission? What were you really trying to accomplish?

VENEZIA: Our job was to keep the Contras happy. That meant that they not fight or at least keep them from waging open warfare. There were skirmishes still going on in Nicaragua, but they would only fight if they were attacked. We were to keep them happy, keep them fed, educate them, keep them healthy and not let them get sick and do it in such a way that it was entirely accountable. I can't tell you how much paper we generated, but I'll give you some hints. We had a warehouse in Tegucigalpa where we would assemble the food, and I'm talking food here, we were the biggest buyers in Honduras. We controlled the price of beans, we controlled the price of rice, when we bought, people shuddered.

Q: You bought it locally, rather than import it?

VENEZIA: We bought it all locally, but there were other things we brought in. We would import medicines for example. But the food was all purchased locally. We were feeding 18,000 troops and 40,000 family members. The 40,000 family members were not getting a full ration, they would get a food stamp type of ration, which was meant to supplement their food, because many of them were working in local economies around the area or helping each other out, or had some money of their own. The troops got a full ration. We had a nutritionist, we were calculating diets, and we were watched by the auditors.

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Meaning that every time a truck left the warehouse it had an auditor on it and the idea was that the truck would not stop on the way and pick up arms. There was a time when the bananas that we were buying were being passed through a metal detector by the auditors, it was paranoia. We had paper on everything except for one thing which I'll get to later on. I'm trying to think of where I can start, there was the food and there was the whole medical side of the arrangement, and the training. When I got there, there was a hospital and two rehabilitation centers where the wounded were taken care of. The Contra had its own medical corps and we were supplying them with medical supplies and drugs. We had two helicopters under contract from Louisiana, they were civilian helicopters. We had two airplanes, they were small planes with a back ramp that we could do drops with and we would do jungle drops. There was one guy who was in charge of assembling packages, packing the parachutes, and putting the parachutes on these things and they would take off and do air drops.

Q: The area was quite inaccessible?

VENEZIA: Well, there's a picture right over here. I'd go out and watch from my helicopter and see that it was done correctly.

Q: You couldn't drive into the area?

VENEZIA: It was an area where a road would not go; we were in the jungle. Most of them were down in the Yamales Valley though and that was accessible. This program had enormous flexibility. We had a non-withstanding clause and with Bob Meegan as our guy with regard to what was legal (and he would make a legal determination on the spot, he was wonderful in that sense) we did some interesting things. There was a river that would flood occasionally, and it would wipe out the road. Well, the decision was that if we were going to feed these people, we had to be able to get food in there, so we built a bridge. A big cement bridge, still there today I presume. We did it and there was no problem at all. One of the training courses we had was road maintenance, we had the Contras out there

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repairing their own roads. Every day when I went to work, I had absolutely no idea of what was going to happen.

We had a lot of people looking over our shoulders, including Congress. It kind of tapered off, but in the beginning we had quite a few Congressional visitors mostly from the House side, but Senator Warner came down. The Contras had their own connections with Congress as you can imagine. The Republican side of the House and Senate were also very interested that we were taking good care of these guys and their families, so they would come down. It was kind of interesting, we made it quite clear that money appropriated by Congress was for the Contras, so if they wanted me to use our helicopters to take them out there they had to pay for it, because I couldn't use my money to take them out to the Contras. We had several occasions where we took people out and they had big parades, and I was sitting there thinking what the heck am I doing in this place.

Q: What was the magnitude of the effort? How would you characterize that?

VENEZIA: It was fifty million dollars.

Q: Fifty million dollars a year, or one time?

VENEZIA: I had 50 million dollars for my year. The entire program was in the neighborhood of 140 - 150 million dollars. By the time I got there, we were in the shank end so I had only 50 million. We were buying five million dollars worth of groceries a month. Plus paying all of the fees for the contractors, which were enormous. Plus all of the fees for the auditors which were also enormous. Also facing unique situations where we would simply have to decide what we had to do.

The Honduran Army was guarding the old hospital. The old staging area north of Tegucigalpa was a grass strip and that had been the staging area for the CIA. They had closed it down in terms of it being an air strip and they had actually buried planes there. When you flew over you could see the places where they had taken a bulldozer and

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destroyed the planes and buried them rather than turning them over to the Hondurans. There was still a hospital there and it was used mostly for taking care of the sick. When the war was very active the task force was literally waiting on one side of the river, which was the border and the wounded would come floating across the river and they would be gathered up in the helicopters and taken to the hospital for treatment; they were war wounded. That part was over with, we were dealing largely with normal sickness, but also with a lot of rehabilitation of wounded people.

The Hondurans were guarding that with their Army and they demanded that we feed these guys, a little bit of a rake off to protect it, and the answer from the lawyers was that we couldn't do that. We can't give money to the Honduran Army. They said you've got to close down. The one meeting that I had with the head of the Honduran Secret Service, I went in and I said "Okay, do you mind if I move it?" and he said "No." He thought we were bluffing. So I went back to the office called together the staff and I said, "We have to move a 100 bed hospital with two operating rooms. We have one month to do it. Let's go." I had a wonderful staff, literally they were all volunteers, just push a button and they would leap. Because they were all having a marvelous time doing this stuff, it was all very unusual and in some ways a lot of fun. So, we went out to the valley, we selected a place and we said, "See this place here, we need to have a hospital here. A 100 bed hospital with two operating rooms in one month, let's build it." So we built it. Made of wood and it had some cinder block sides. We had to build a bridge across the river to get to the site, that was interesting in itself. We took some trees down and built a road. When it was almost done I called together the staff and I said, "Has anyone ever moved a hospital?" and they said, "No" and I said, "Well, if you need to move something, normally you call a moving company." So we called the Honduran moving company that moved the Embassy goods in and out of the country. I went over and had a meeting with the head and I said, "Have you ever moved a hospital?" and he said, "No, but it can't be that difficult." So we helicoptered them up there to do an estimate. We said, "We're not going to leave a thing for the Hondurans, take it all. Leave the building, but take it all." They gave us an estimate

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and it seemed fair. The trucks headed out and they loaded up a 100 bed hospital, they took the wire out of the walls of the building, they took out the lamp posts that were around and all of the public lighting, they took the generator, and they dug out the fuel tank. We cleaned the thing out down to the bone and simply moved it about 150 miles.

Q: What happened to the patients?

VENEZIA: The patients were moved. None of them were all that serious, we're talking about sick kids. There was a separate center called the Rehabilitation Center which was much closer to Tegucigalpa where the war wounded, the paraplegics and these kinds of things were, and they were in rehabilitation or just being taken care of. The real serious cases were there. We set this new hospital up and I have to presume the Nicaraguans must have thought that we were crazy. Here we were in the last year of the peace process and we were acting as if we were going to be there for the next 20 years.

Q: Did the Honduran Government ever try to intercede?

VENEZIA: The Honduran Government never really did anything. They just wanted us out of where we were, so we said okay fine we'll go over there. Which I imagine they thought was a good idea, it'll keep everybody in one place. I'm sure they saw what we were doing and they didn't seem to mind. They probably thought that they were going to get what was left over, so whatever we did was fine with them. So we built the hospital. Yamales was a funny place, there were 28 battalions in the valley and they each had their own particular area. Another part of the operation was the food. When I got there, there was always a problem thinking about what if the river rose, even if this bridge was put in, what if it went out? How can we assure that we will always have food for 18,000 people, we couldn't let 18,000 people starve. I decided that we should build a warehouse in the valley and move a months supply of food there and keep it as reserve. Simply turn it over. In other words, use it as a stock, but we would always have a months supply of food available on the

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other side of the river. So we did that, we built a big temporary warehouse. It was a wood structure with a canvas covering.

We then had to worry about some of the Contras that were still inside of Nicaragua, and the program said "Fine, they're Contras, so you have to support them." We couldn't send food in so we sent money in. We had a game with the Nicaraguan Government, we would be buying Cordobas from suppliers that would go down to the Nicaraguan border and they would buy Cordobas and they would bring them into the Embassy and we would buy them in the Embassy, pack them up in garbage bags by battalion and fly them down to Yamales and we would have once a month a distribution ceremony. You can't imagine the paperwork here, the paperwork was exquisite and extensive. We knew exactly where all of the money was going. The money would go out to the battalions and then the battalions would send messengers into Nicaragua with this money. As economic conditions worsened in Nicaragua the money got to be worth less and less and less. The idea was that they were trying to put out new money so that the old money would disappear. They would put out new money and we'd buy it. The amount of money going into Nicaragua was not all that much. It wasn't a lot of money, but it was a nice cash flow. Then I would go to Miami, FL occasionally, because we had an operation in Miami where the officers of the Contra and their families were on a payroll. It was the old CIA payroll, but it was part of the family support system so we had a place in Miami which had an accountant and I visited a couple of times and saw the distribution. They actually distributed money to the people of Miami, it wasn't a lot of money, but it was something. I'm trying to give you an idea of the scope of this thing.

Then we had the family feeding in the areas, where the food would have to go out to the various towns and there would be distribution centers where the families would come in. We had established a ration card system, 50 Price Waterhouse people working full time. There were identity cards, there was cross checking, checking to make sure that you weren't selling the food, this was all going on at the same time. Then there was the medical side of it for drugs which eventually got the program into trouble. Then there

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was the training program, we were training people in shoe making, training people in carpentry, sewing, and we trained 8,000 literacy teachers, then we started a civics program which was a prelude to the elections. This was done with people from INCAE and they would teach civics, democracy. They were supposed to go back in and use their literacy teaching tools and the civics materials given to them, to extend themselves by teaching Nicaraguans as a prelude to the elections that they should vote.

It was a very strange operation, very varied. Then there were the Cuban exiled doctors that were flying in on weekends from Miami. We would meet them on Tocontin airport late Friday afternoon and helicopter them directly down into Yamales and they would don their operating gear and go into those two operating rooms and operate for 48 hours, free of charge. And they paid all of their own expenses coming down. They were specialists, mostly orthopedics and eye doctors. This rural hospital had the most sophisticated equipment that you could imagine. We were taking out shrapnel from eyes, they had these very high powered microscopic machines and they were resetting bones. They worked 48 hours, straight through. They went from one operating room to the next, back and forth. Then I would fly them back to Tocontin on Monday morning and they would take the plane out, and went back to their practices.

Q: Amazing.

VENEZIA: We had a contract with the Seventh Day Adventist hospital just outside of Tegucigalpa to work with children. There were a lot of children that had been hit by mines and had war wounds. It was a hospital that was very underutilized and they leaped at the opportunity to provide this kind of service, and they had good facilities. They were doing rehabilitation of children. Then there was the operation run by the PVO to make prosthetics. We had a prosthetics factory in Honduras that was manufacturing artificial limbs for the Contras. It went on and on and on.

Q: How would you characterize the accomplishment of the overall mission?

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VENEZIA: We kept them happy. I had to make some tough calls. I decided to be both tough and kind. I demonstrated a lot of interest in them, which I think a couple of my predecessors had not. They had been dragooned into this thing and they let their feelings show, I think. But I was sincerely interested in their welfare, I really felt that they had gotten themselves into a circumstance, a lot of which was not of their making. They had trusted the U.S. Government and I was in many ways part of the U.S. Government to them. I always tried to demonstrate human concern for their human problems. At the same time we had to be careful, because some of these guys were the biggest crooks in the world. I have a souvenir branding iron which says "AID", I think there are only a few left in the world, and we branded the cattle just to make sure that we wouldn't be buying back the same cattle that we gave them. It was very interesting.

Q: Was this just a temporary affair just to keep them happy for a short time?

VENEZIA: The whole idea was to keep them happy during the peace process that was aiming at forcing the Sandinistas to hold elections, which were going to be held in 1990. There were a few bumps along the road, the biggest bump was when there was a Presidential summit in San Jose, Costa Rica. I'd been there about six months and President Bush came down and President Ortega went over dressed in what George Bush called his cowboy suit which was the fatigues, the bandanna, the red and the black. I think he was so frustrated at (I personalize this in the sense that this would be my perspective and I'm not sure it's absolutely true because I was looking at it from my own side of the fence) he was so frustrated that we were doing such a good job in keeping the Contras from disbanding, they were certainly not going to disband, if they weren't gaining weight they were certainly not losing any weight under our programs. We had these far flung new enterprises. We built a brand new hospital, ten kilometers from the Nicaraguan border in the middle of the jungle, as if we were going to be there forever. He went to this conference and I'm not sure what the motivation was but I think it was partly from our side, blew his cool. And said in effect that he was calling off the truce and was threatening to go

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back to war. We believed him, we really did because there had been several occasions where they had done some incursions from Nicaragua into Honduras and so we took them very seriously.

Once he announced that, I got my staff together and I said "Well, let's prepare." So the first thing we had to do was to disperse the food, we were ten kilometers from the border, and it was an easy shot. They could have come up the valley and down the road, I think the Contras would have defended the place but a well mounted incursion into the area would have been serious. Especially if they came in with helicopters, even though the Contras had Stingers or Red Eyes, I'm not sure which, I never saw one and I never wanted to see one. So we said okay, let's disburse the food. And again, a wonderful machine, I could push a button and people did what they had to do. People were used to having a great responsibility, and they would go out and just work. Within 24 hours we had disbursed a whole months supply of food throughout all of the battalion areas. I'm not sure what we did with the hospital. We did a whole series of defensive operations. I was down in the valley at least once a week, sometimes twice a week and we maintained a Toyota down there. I was driving through the valley, down a road that was maintained by the Contras (perfect shape by the way) over culverts that were put in and I had the radio on. I was listening to Radio Nicaragua and President Ortega was sitting in Managua (this was live) ranting and raving about the program that I was directing and I was driving listening to him. He never used my name, he talked about the Humanitarian Program. I said to myself this is insane.

Anyway, it was that kind of a program. I'm sure that a lot of other experiences in AID were similar to this. A lot of the refugee stuff is I'm sure, highly similar to this. One felt that you were standing in the eye of the storm with the Congressional debates and the elections and whatever else. We approached the elections, elections were held and it was quite clear that the U.S. Government was going to make a decision. Jack Sullivan who was the head of the Central American Desk for State and had spent his early career in Brazil and consequently spoke Spanish with the most horrible Portuguese accent, not unintelligible, but a painful [laughter] kind of Spanish. Spanish with a Portuguese accent is just terrible.

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He spoke good Spanish but it was heavily accented. He came down to deliver the bad news, and the bad news was (this is before the elections) there was going to be elections and the U.S. Government was going to abide by them. Whichever way they go, if they go to the Sandinistas we will live with it. But there will be elections, we support them.

Meanwhile, in Washington Ted Morris had shifted his attention, he had been a real pain in the butt to my predecessors. Ted is a nit-picker, he is very much detail oriented, he's very good by the way but he had a reputation for being all over his staff. He's a little controversial like that in the Agency. He had been all over my predecessors like a cheap suit, which may have accounted for some of their attitudes. By the time I came in the election issue had become the major issue of all of his meetings in Washington, and all of his conversations and all of his attention and energy was directed toward the Nicaraguan elections, because that had it's own dynamic. Jim Baker was looking for money and he wanted to raid the program, they had to make different kinds of interpretations on what we could spend and how would the money get into Nicaragua and who would handle it. Ted was the master of those details, and he began to focus largely on that. There was a lot of latitude for me to do simply what made sense. Did it make sense, will it work, and will it make a difference? Those seemed to apply with a vengeance. Then you have to ask is it legal? I eventually found myself with a lot of latitude and able to do a lot of things, which eventually got me into trouble.

About two thirds of the way through the year, I got a call from the IG Inspector for the IG. He was in charge of the inspection side. I'd met him and I knew him. He was a Texan, a very easy guy to get along with. He called me up and said "Ron can you come over to my office?" I said "Sure." So I went over, it was late in the day about 5:30 and he said "Ron, I think I have to tell you that tomorrow Don Enos, your Deputy is going to plead guilty to two counts of bribery." I looked at him and I was literally dumbstruck. I remember to this day being dumbstruck and saying "Bribery, by whom?" I couldn't even imagine by whom. And he mentioned the name of Bill Crowse and it hit me like a ton of bricks. Bill Crowse was the head of a contract team that had been subcontracted under a larger contract

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for health services which had been given to a PVO that in my view was having difficulty performing when I got there. Especially in terms of getting things done, the people they were fielding were okay for medicine distribution, once we went into the phase of having to build this famous hospital I talked about and having to move these people, they literally didn't have any kind of agility at all. Bill Crowse was a friend of mine from 20 years before that I had known in Guatemala when I was a Peace Corps Volunteer and just joined AID. So I knew Bill, he showed up and Don Enos my Deputy, who had been there through all of my predecessors and thought a lot of himself. He thought he was really good and operationally he was. Don had convinced me, kept putting in front of me the fact that Bill Crowse's operation was first class and that they could deliver. So the more that the health program got into trouble, the more it became obvious that we needed help, so we asked them for a proposal. They made a proposal and to save time we proposed them as a subcontractor to the PVO. Don handled pretty much all of the negotiations. I okay them, but Don handled the negotiations. I found out later that he kind of rammed them down the PVO's throat. In effect saying that if you don't take this then we will fire you. Well they did. And Crowse's people did an excellent job, they did a first class job, except we had a couple of problems later on with the IG, trying to figure out how much money had been spent on a drug purchase in Costa Rica. It taught me by the way, that buying drugs is the most devious business in the world, because even the IG couldn't figure it out. I'm involved with it now at the World Bank and I counsel everybody that there's nothing worse in the world than trying to procure pharmaceuticals through a competitive process. Anyway, Don had taken kickbacks, not only in this program but had taken kickbacks in the Salvador program with Crowse. The IG had been tracking him for three or four years. I was dumbstruck. He gave me an outline on what had happened, very brief but made it quite clear that it was very serious. They had called Don to Washington on the pretext of an interview and when he got up there Ted had said "Look, the IG wants to talk to you for a second." and they took him over across the river and they walked in and sat down and Ted said "Well, I'll see ya." and he left. Then they turned on the videotape, and Don watched about a minute and a half of the videotape and turned to the Inspector and said

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"Does this mean I'm going to lose my job?" and the Inspector said "Mr. Enos, you're in far worse trouble than that." Don was watching a videotape of a meeting that had been set up in a hotel room, including Bill Crowse and Don Enos and it was all on tape. They had scammed Bill Crowse through his driver, I won't tell you how because it's personal but they scammed Bill Crowse through his driver and nailed him and they said to him "Look, we don't want you, we want Mr. Enos. Now you have a choice here, you can go to a place where we can pump in air and light, you'll be so far underground that nobody will find you for 20 or 30 years or we can talk." and Bill said "What would you like to talk about?" And he told them everything. And everything was in effect, that Don was skimming off of contracts that he arranged with this firm. I think Crowse, being largely the one saying "I'll do this for you" and Don just simply being unable to resist it. Don had terrible money problems. He was always owing money. I counseled him several times because there were always people coming in and saying "Don won't pay me what he owes me." I would counsel him. I would say "Pay your bills for God's sake." But he got himself into a situation where he was laying out money on properties that he had bought that he thought he could rent. One in Panama and Noriega came in and it was sitting there empty, he married a Panamanian and his wife and family moved into their house in Virginia and wouldn't pay him any rent. He had about a 4,500 to 5,000 dollar outflow that he couldn't cover, and he just needed the cash. They caught Don on tape, I remember the night that they did. Looking back, we had a lot of TGIF's, there was nothing else to do there so Don had a couple of drinks, he drank a little bit and he was high and I won't go into details, but it was one of those things that teaches you a lesson. Bill was being controlled by camera and by the phone, Don was arguing with him on the amounts and Bill was trying to tell him that "no, there were different amounts" because Bill had not told everything to the IG and Don was telling him more than he had told the IG. Don offered to go out to the car and get the records that he kept in the trunk, and Bill said it was not necessary. The phone would ring and the IG on the phone would say to Bill, "Tell him to get the book," and Crowse would be sitting on the phone saying "Oh dinner, dinner at 8:30, sure." It was wild, it was a view of AID that I had never seen before. But they nailed him.

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I left the IG's office in a daze, had spent six to eight months being absolutely imbued that AID was going to do everything in the world to keep this program whistle clean and we had done it, and on my watch this guy was going to get indicted for Christ's sake, for thousands of dollars of money from the program. I went home and I hugged Burgess and I didn't know what to say, and I'll always remember that night. I sat there in bed and watched the clock change. I couldn't sleep. I just sat there and thought about it all. I got up the next morning and called the IG guy and told him that I had to come and see him, so I went into his office and I said "I have to tell my staff, they can't hear this on the radio, or in a cable or from the Ambassador, they've got to hear it from me." He was sitting there listening and I broke down. I literally broke down emotionally and he jumped up and closed the door and he said "Geez, what's wrong?" and I said "I'm sorry, I'm just overwhelmed by this." It was a full 24 hours before I could talk about it without literally breaking into sobs. I called Ted and he was a blubber face also, we were a thousand miles away from each other and blubbering at each other on the phone, it was awful. We felt so strongly about this program, he more than I, because he dedicated more of his life to it than I had. We were dumbstruck. The Agency handled it well, Don plea bargained, entered his plea on a Friday morning at 10:00 so it hit the papers on Saturday and then disappeared, it was picked up a little bit but disappeared. The General who obviously knew about this was not out crowing, everybody understood what was at stake. And what was at stake was AID and everybody understood that it was a victim. I was never held personally responsible, the subcontract, Ted had never even seen it because it was a subcontract and it was in my authority. Ted never held it against me that I'm aware of. It was just one of those things. We wanted to get something done so we did it. It was a mistake.

The program survived, and the elections were held. Jack Sullivan came down and they called in the commanders and there was this big meeting in this big headquarters tent, there was Sullivan sitting at a desk faced with about 100 -125 very rough, tough looking guys, all carrying AK-47's and dressed in khakis. Many had come out of Nicaragua just for this meeting. Supposedly in an Army, but you wondered how good this one was.

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And he gave them the bad news, a tough job. He did it well with his horrible Portuguese accent and the news was that the elections were going to be held, our objective is to have elections and we will live with the outcome. If you lose, we will try to do our best to take care of you, but we have to move this into a democratic environment somehow. Where the Nicaraguans have a chance to choose what they want. Once this became known, the Contras began to plan to go back into Nicaragua. I could see it myself and I reported it, but they were making plans. One day just before the elections they left and they left behind their families and their kids and their wounded and their maimed and their old. The fighters left. We kind of knew what was happening and we didn't say anything to stop them. They took some of the drugs with them, they left behind some of their medical corps. From one day to the next the operation shifted from feeding 18,000 troops and 40,000 family members to taking care of about 20,000 kids and mothers.

The elections were held, and the Sandinistas lost, to everyone's immense surprise including theirs, and things began to come apart pretty quickly. The Hondurans then said this is an elected government and we want this thing out of here. So the planning shifted to how to wind this thing down completely and that meant how do we take care of the kids? My staff put together a plan and the plan was to turn this over to the UNHCR. That was decided at a higher level, but we provided the recommendation, plan and all of the information necessary and we made it clear that this was the time table. The UNHCR regarded this as what AID regarded it as earlier. They were literally bludgeoned into taking this, so I worked with a UNHCR guy in Honduras who was going to take this over. They sent some people in and we literally devised a strategy on how to do this, which was sign everything off. We donated everything to the UNHCR, we donated the food that was left over, the vehicles, anything that we had bought was donated with some exceptions. The medical corps of the Contra said "Look, this hospital equipment is pretty sophisticated and expensive stuff" so in a clandestine way we organized the helicopters. Right after the elections, the Hondurans put up a road block, they wanted to now control the road. They were obviously taking a look at what they had in there to see what they could grab. One

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weekend I called together the two helicopter pilots and the three helicopters and said let's do an air lift. We made about 50 trips, we would go down, load up the helicopters with as much as we could carry and bring it in and store it at the airport. The airport by the way was another interesting aspect of this thing. Once a week a military U.S. Army C-130 would land right in front of the main terminal.

Q: This is in Honduras?

VENEZIA: Yes in Honduras. And it would land in the morning when there were about four other airplanes all lined up to leave, so you would have this enormous glut of passengers leaving Honduras staring at this C-130 unloading military uniforms (we supplied a complete military uniform to everyone of the Contras), meals ready to eat sometimes and some other gear. We would load it onto trucks and take it to our warehouses, right in front of everybody. I could never understand how this was done, but it was. It was all organized before I got there in terms of the Hondurans. The Honduras secret service was deeply involved in this or they were aware of it anyway.

After the elections were held, I was told to wind it down. We donated everything to the UNHCR and the Hondurans then said what about all of these disabled? We had these center's for the disabled, and some of these people were paraplegics. I got the word from Jim Michel who was the LA Bureau AA as Ted had passed his responsibilities to the LA Bureau. Everything was shifting back to normal. So I was told you can't leave until you get these people back into Nicaragua and I thought "Oh my God, okay." I wanted to get out of there, I wanted to come home Enough was enough. As I wrote in my EER, I will never again fly a single engine helicopter over a triple canopy jungle. I did that several times a week and I could just see myself going into a triple canopy jungle and never coming out again. The day I was supposed to go into Nicaragua to arrange the transfer of the disabled, the Sandinistas closed the airport. The unions struck. It was kind of a reprise back to Istanbul where I was going to go somewhere, I didn't care how I got there. They canceled the commercial flights and I couldn't take my own helicopters into Nicaragua

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because they weren't authorized to fly. So I called up the General who was in charge of the U.N. who was stationed in Honduras and (I'd done him a few favors) I told him that I had to get to Nicaragua. "It's connected with the disabled, I have a meeting set up, can you get me down there?" He had helicopters. Since the main Sandino airport was closed, we landed out at Mercedes which was a military training airport, small strip right outside of Managua. It was an old crop-dusting operation and the Sandinistas were using it to train their pilots. There was also a large warehouse from the Ministry of Interior and I suspect it held lots of stuff that was being sent to Salvador and other places. We landed and the guy dropped me off. I was with a young officer from the Honduran Embassy, who was the liaison with the Contras and he was coming down with me. We walked up to a Sandinista soldier and we told him that we would like to go to the American Embassy (this is in the middle of nowhere) his name was Robert Taylor. He was from the north coast of Nicaragua, the English speaking side and his name was Robert Taylor and he spoke English. He never asked us where in the hell we had come from, what we were doing there or anything. He arranged a car for us from this little business that was at the airport. The driver of the car never asked for anything, we drove through all kinds of check points between there and Managua and we were never stopped. He drove us up to the front gate of the American Embassy and I gave him a five dollar bill, he drove away and we walked into the Embassy. They knew we were supposed to come in commercially, but they couldn't figure out how we got there. I told them how we came in and then I gave them my passport and I asked them to figure out what to do with it. So they took it down to the Sandino airport and sparks flew forever. They said "How did these people get into this country?" and nobody would tell them. So they stamped my passport to show that I had entered the country.

I went and talked to the Red Cross, the Swiss had been working with the Sandinistas and they had their own prosthetic operation and they had their own rehabilitation center, so we went and talked to them. Then I took a helicopter from Managua down to the Contras camp which they had set up in the southern part of Nicaragua, near the Coast

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Rican border. They had moved all the way down into that area and that's where the Command was. So I went down and saw the Commanders, I knew them all. I told them "Look, we're going to have to move your people out of Honduras. They're going to have to go somewhere and you've got to help." They were very unhappy, they thought that we were abandoning the people and I told them that we were not throwing them out, that it was the Hondurans. I went back and we in effect, set up a PVO operation in Managua to receive these people. We then shipped them in, we rented trucks and ambulances and literally shipped them into Nicaragua into these centers that were set up by the PVO. I remembered that we had this hospital equipment worth millions of dollars just sitting in our warehouse in Honduras so I packed it up and donated it to an organization in Nicaragua that was a joint commission between the church, the Contra leadership, and the government. The Hondurans never even knew that the equipment had left the country, we just shipped it in. Actually, we had moved all of the equipment from our warehouse, (I thought that our warehouse would be taken from us) and we stored at this moving company and they kept it for us and then packed it up, inventoried it, and then shipped it to Nicaragua. I have no idea what happened to it after that. My job was done and I went home.

Another memory of that time will also stay with me. I got a call from the back room of the Embassy that a SAHSA plane had just crashed on the outskirts of Tegucigalpa, and could I take my helicopter to the site to assist in taking out the wounded. I was at the airport in twenty minutes, and we were airborne within the next ten, and so we arrived at the site about one hour after the crash. The plane had come down in the clouds too soon and hit a mountain with its tail, which broke off, and then skidded along to a stop. There was a shortage of aviation fuel in Honduras, so they had tanked up in Managua. A few people in the front of the plane got out, along with the crew, which were never held responsible for clear pilot error, before the whole plane went up in flames. When I arrived at the scene, there was this open clamshell of the plane with all the rows of seats still intact holding the completely charred remains of the passengers. Later, I literally walked down the aisle, still

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smoldering, and all I could think of was Kentucky Fried Chicken, that's what they looked like. Several AID employees were on that plane, a few who got out, the others died, I hope quickly. I thought I would have nightmares about that episode.

Fred Schieck had asked me if I would come back to Washington. Fred was the Deputy head of the Department and he told me that he wanted me to take over the LA/DR Operation and I told him that I had done that on the Asian side and that I wasn't sure that I wanted to go back to Washington, I had been in Washington for all of these years. He told me that he really wanted me to do this job, so I said okay. I didn't have any other offers. There was a Mission Directors meeting for Central America in Costa Rica and they told me to go to Costa Rica and sit in on the Mission Directors meeting. Because it would be good experience and I'd get to meet the Mission Directors (I knew most of them already) and I could get back into the swing of normal business. I went to San Jose, I got in late and walked into the hotel and I saw Jim Michel there and he said "Let's go have a drink." So we went into the bar and we were sitting there and he said "Look, we've had a change in people moving around and Carl Leonard is going to Bolivia, would you like to be Mission Director in San Jose?" and I tried to give this a millisecond of consideration and I said "Well, yes, I could probably do that, I should probably talk to my wife first." So I came back home and made arrangements and then took off for Costa Rica and became the Mission Director for Costa Rica. Another circle closed.

Mission Director in Costa Rica - 1990

Q: What year was this?

VENEZIA: 1990. The first circle closed and I went back to Guatemala and then the second circle closed now and I was going back to Costa Rica.

Q: How long were you in the Contra operation?

VENEZIA: One year.

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Q: Just one year?

VENEZIA: It was an exciting year. It really seemed like ten years. I learned a lot. I learned a lot from A to Z. The Don Enos episode was seared into my hide. I learned a lot about how to manage a large organization. It was just one of those great learning experiences.

My San Jose experience was a three and a half year exercise and I just had a marvelous time. I arrived in San Jose a much different person than when I had left. But to my surprise, most of the people that I had worked with 20 years before were still around. Costa Rica is a funny place, the leadership hardly seemed to have changed at all, they had just moved up one notch. I arrived knowing a lot of people, the same people who were still doing things. The AID mission when I left we were downtown in a little rented room across from the Embassy and I came back to a ten million dollar state-of-the-art complex with a motor pool of about 30 cars. I was astonished.

Q: This was just the AID Mission?

VENEZIA: Yes, just the AID Mission. The AID Mission was built to Embassy standards. It was local currency. I won't get into the whole local side of the currency business about why it was the way it was because I'm sure it's being covered by other people. There was the equivalent of about a half a billion dollars of local currency still in the control of the AID Director, plus when I got there, there was an ESF program for 90 million dollars. I signed an ESF Program the following year for 25 or 40 million dollars. There was still big money flowing into the country, it went down very quickly but at this time there was still an enormous amount of money flowing into the country. There was about 250 or 300 people in the mission, including local employees.

Q: I think you mentioned this before but maybe you could review it again, why was this such an extraordinarily large scale operation for a relatively small country?

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VENEZIA: Well when Larry Harrison had arrived in Costa Rica, remember Larry was going to do the “golden handshake”, I think I described that earlier.

Q: Yes, I remember you talked about that.

VENEZIA: Larry was going to make the last loan to Costa Rica, the “golden parachute” and we were going to say goodbye. Well he did and the program then began to dwindle. I visited on occasion from Guatemala in 1976 to 1979 when it was getting ready to close. The Mission, in fact, had moved into the Embassy; it was a small upstairs room that was the old Consulate that had about eight or ten offices in it and that was the AID Mission. They were cleaning things up. Dan Chaij had been sent in as mission director to do some things and he was sitting there when the roof fell in when the Sandinistas took over Nicaragua. The Reagan Administration decided that they were going to make a stand in Central America. Costa Rica became the equivalent of a front line state. The Carazo Government which ended in 1980 had openly sponsored the Sandinistas from the Costa Rican side of the border and in effect turned Guanacaste province, which is up on the border, into an aircraft carrier. The equivalent of what we did in Honduras. They had closed off the area and turned it over to the Sandinistas who were using the Liberia airport for setting up air drops and setting up air support and were using it as a safe haven to come back and forth to escape the Sandinista government troops. The accusation is that many of the Carazo Government were deeply engaged in arms trafficking and making personal fortunes out of that.

Q: Was there another entity, the Cubans or Russians?

VENEZIA: I don't know enough about that side of it, I presume the Cubans were involved because they were strongly supporting the Sandinistas. Although that supposedly increased as their chances to win became greater, the Cubans became more and more involved. The Costa Ricans were more then aiding and abetting, they were rooting for the Sandinistas.

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Carazo who considered himself, and still today considers himself an economist, was his own economist, which was the wrong thing to happen, and unfortunately he made every single wrong economic decision that was possible. I could tell you a lot of stories that I heard when I got there. In effect he committed suicide. The country experienced a massive devaluation within one month. The Colon which had been more or less fighting inflation (it was an artificial level anyway but it was manageable) it was about eight and a half to the dollar and within a month shot to 55, if you can imagine that. The Costa Ricans who were used to a standard of living far better than their Central American colleagues, found themselves within a month facing circumstances where their money wouldn't buy anything. It was a seven or eight fold devaluation. So simply put, the country went bankrupt. It defaulted on its foreign debt and it just came apart. Monje came in and replaced Carazo and he was someone that we could do business with and he obviously did not like the Sandinistas, or at least he understood them.

I've got a story that I heard from a good friend of mine who was Minister of Economy under Carazo. When the Sandinistas came in, Costa Rica gave foreign aid to Nicaragua. The Costa Rica Central Bank bought ten million dollars worth of Nicaraguan currency. In other words they gave Nicaragua ten million dollars and took their currency in return, they never got it back. Claudio Gonzales, as sitting Minister of Economy, talked about going up to Nicaragua and sitting in one of the Commandant's offices, probably his counterpart and having a meeting with a guy who had a gun on the table that was aimed at him. And being at a cocktail party and the Sandinistas saying something to the effect of that the Costa Ricans have done so much for them that they really felt Nicaragua owed them something, so they were going to do something for them. Nicaragua would export the revolution to Costa Rica. This was the mentality; Sandinistas were kind of crazy. They did almost anything that they could to commit suicide over a ten year period and take their country with them.

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So the realization began to dawn on the Costa Ricans that they had invited somebody "home to dinner" that was somebody that they really couldn't live with. So Monje and the Reagan Administration (I wasn't there but this is what I understand) agreed that they had to save the country, they had to resolve the economic crisis which was serious and devastating to the only Central American democracy and at that time, one of few democracy's in the hemisphere in 1979. So a deal was a deal and we decided to put some money in, and boy did it come. By 1982, they were up to about 200 million dollars a year. In 1982, 1983, or 1984, I'm not sure of the date, Costa Rica was the second highest per capita recipient of foreign assistance in the world after Israel, that's the point that it got to. The money just came in and there wasn't a loan among it. There were a couple of loans to set up some banks, but mostly it was just grants. This generated the local currency. There were some projects, there was a loan for a bank and a couple of other things, but it was mostly for balance of payments.

Q: Was there commodity aid or just cash transfers?

VENEZIA: Cash transfers. Commodity imports would not have worked. So there we were, pumping this money in. There was a time when I was told that we controlled 25% of the money supply to the country. This had never happened before in this magnitude of aid, so there was absolutely no guidance available anywhere on what to do with this money. Dan is a very clever guy, he's also very smart and he's also got some good developmental instincts. It turned out that he and Monje were just soul mates. So he began to have lunch alone with Monje once a week and the two of them alone would sit there and cut deals. I'm sure that Dan was keeping the Ambassador informed, in his own way, but Dan became a figure in Costa Rica over the years. There is hardly an aspect of Costa Rican life today that has not been touched in some way by the AID program of 1980 and early 1990's.

Q: Mostly local currency?

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VENEZIA: Yes, clearly. On the macroeconomic side in terms of the Brady Plan and restoring the Costa Ricans' credit rating around the world, getting the other donors back into the game, which they did, and of course our money facilitated. Just the whole question of breaking inflation and bringing some normalcy back to the economy did affect clearly, everybody in the country. From privatization, unraveling an enormous web of state industries under a holding company called CODESA which was a major operation, to the introduction of methods and programs and money for the development of nontraditional exports. Costa Rica in the late 1980's was growing in nontraditional exports at the rate of 30% to 35% a year.

Q: But the expenditures of such massive amounts of local currency, was this through a budget mechanism?

VENEZIA: The deal was between Dan and Monje and I presume that the Central Bank under Eduardo Lizano was made aware of this issue. The decision was made that they had to keep it out of the budget. In another words if it went into the budget then it had to be processed through the legislative assembly and God knows what would happen when it hit. These enormous sums of money going through the Congress. So the deal that was struck was that the Costa Ricans said, "It's not our money, it's your money." Your money meaning the U.S. Government. "You brought this money in, you bought these Colones so it's your money." It was kept inside the Central Bank and programmed through the Central Bank mechanism. So it never went in through the budget. That existed the day I got there and it exists today. It's still not part of the budget. It was our money, so we got interest on it. I guess there have been a couple of cases before where AID has not collected interest and it had been criticized so Dan said we'll get interest on this. Interest rates were very high because of the inflation. All of a sudden we began to capitalize this money, it got to a point where when Arias came in, in 1986 he pointed out to whoever came down that fully 25% of his public sector debt was paying interest on the bonds to AID. An easy way to solve this fiscal problem was to cut that out, so there was a deal struck. Some money

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would be monetized, some would be pushed off and the new money coming in would not gain interest.

Q: Was the IMF involved in this at all?

VENEZIA: I'm sure the IMF was involved in discussions. And the Brady Plan was signed in 1988, and the IMF was deeply involved in that. The U.S. Government was clearly in the saddle. The IMF was involved but we were the IMF. Just like we were in Israel.

Q: Wasn't there a concern that, that much extra budgetary money could generate an inflationary problem again?

VENEZIA: Well, depending on how it was spent. A lot of the money went into bonds and the bonds were then placed as leverage in various things. The Earth School for example was created with a grant from ROCAP. Are you going to interview Dan?

Q: We're going to try to.

VENEZIA: Dan will give you a much better view of this than I can. What I saw when I got there was that Dan had apparently done was cut a deal. CATIE was sitting out there in Turrialba and didn't have any money. ROCAP worked with CATIE, they were the clients. ROCAP was running out of money for CATIE, so Dan said something along the lines of "Look, I'll cut a deal where you do a dollar grant to build the EARTH school in Costa Rica and I'll arrange a Costa Rican colon fund for CATIE". It was a clear trade-off and it worked. Meanwhile a certain sum of money which today is currently worth about 90 million dollars was set aside to create a trust fund for EARTH. The idea was that the grant would build the school and run it for five years, pay all of the bills and let this trust fund build and when the grant ended the trust fund would kick in. Which is exactly what has happened over the last year and a half or two years.

Q: These were Costa Rican bonds?

VENEZIA: Costa Rican bonds sitting in the Central Bank. There was an other trust fund set up for FINTRA, which was a very innovative thing. It was a private corporation and it would buy a State bankrupt organization, transform it, sell it, or close it. It did this company by company. I think Dan designed that, very brilliant and it worked. There were trust funds for something that was called the Omar Dengo Foundation which was to put computers in all of the schools, which has its trust fund today. There must be 10 or 20 of these funds around. In effect, a lot of the money was sterilized inside the Central Bank, but in the form of bonds. When I got there I was astonished, you can imagine. I was just agape at what I saw. From what I left and what I came back to see. I had the perspective that said this is crazy, so when I got off of the plane, the first question I was asked by the press was "Are aid levels to Costa Rica going down?" All of a sudden I again encountered this entitlement mentality and I said "Absolutely not." and they said "What do you mean?" and I said "They're returning to normal." [laughter] And that ended the conversation.

In effect, I was saying that when I last left this country you were going to close and you've had this crazy blip of resources but that's not normal. We've been with you for 45 years and if you look at the history of things, there's this crazy blip here which is not the normal part of our program, well we're going back to normal. That was the first thing that I coined in Costa Rica, back to normal. That got us over the hump. My strategy for Costa Rica was simple, I realized that we were going to go back to something much, much less than where we were and I said "There has to be a soft landing here." The effect that we were having on the country, we were engaged in everything. The AID program had funded all kinds of things. I went out to see the Opus Dei dormitory for the National University that was financed and it was a magnificent dormitory. The trust funds were running the AID mission. We had an OE (Operating Expense fund) of about four million dollars a year of which we were getting maybe one million from AID; the rest was coming from the interest in our trust funds from the Central Bank.

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The program mentality had been shaped by events that people lived with and I guess the outer edge of that mentality was, from what I was told, a 'safety expense'. I said "What's that?" and they said that the AID mission was about five blocks away from the American Embassy and to get there you had to down an avenue and you had to cross a major boulevard and it was a dangerous intersection. The boulevard was four lanes with a median and it was a little difficult to get through that intersection. So they went to the municipality and they said "Can you please put a traffic signal here?" and they said "We don't have any money." So AID went out and bought a traffic signal array that would grace an intersection in Virginia and installed it and paid for it. The rationale was that this was to ensure the safety of our driver's that were driving back and forth to the American Embassy. I'm sure it made sense when they did it and I'm sure that it saved somebody's life, but that's the extent to which we were spending money in that country. It was all audited, they tried to do a hatchet job on Dan. The RIG (Regional Inspector General) had gone in with four or five auditors and spent a month in the Mission, because they were out to get Dan. They eventually got him. They got him on a couple of technicalities. He had a painting hanging in his house that he had not registered as taking it as a gift and they nailed him on a couple of scholarships given to people that were clearly influential families. They produced an enormous report several inches thick, which I read. But they didn't get him on anything else, everything else was documented. What eventually got Dan was a little bit of hubris, it would have been astonishing if it hadn't affected him. Having lunch with the President once a week, he was being touted by MacPherson, he was the darling of the Reagan White house. It must have been an enormous rush. Dan was an elder in the Seventh Day Adventist and one of the grants went to that church as a PVO. It was something he should have recused himself on and didn't. Dan will have his own version of this and you can ask him.

Q: Was there some indication that there were those who were out to get him?

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VENEZIA: Oh yes. It was quite clear that, I'm not sure how I would put this, but the Democratic Congress was certainly not in agreement with what was going on in Costa Rica with regard to the Contra operation and supporting the country. Reagan was unhappy with Arias' opposition to the Sandinista operation and the Contras. But the Democratic Congress did want to support Arias. When Arias came in he found Dan Chaij, Dan was sitting there controlling 25% of his money supply. Had Dan run for President against Arias I guess one side of betting would have said that he would have won. Arias kind of said "Look this guy's a problem." I think Arias had his own attitude and regarded him as a "Reaganite." These are all assumptions on my part, but he and Arias had trouble maybe from the beginning, I'm sure Dan will be able to give a better view of this. That was communicated back to Washington enough, that the RIG came in. There were allegations made so the RIG came in and there was enough money over there that they figured that it was like the old pony story "There's enough horseshit here, there must be a pony somewhere." They looked and looked and looked and delved and delved and everything they came up with was knocked down because it was all documented. They finally got him on these minor items, what were really questions of judgement and a couple of questions of direct relationship where he had taken an action. A couple of the scholarships were actually repaid. The daughter of one of the leading industrialists in the country went to graduate school on a scholarship and when he was accused he came in and he wrote a check for \$50,000 and reimbursed AID for the scholarship.

Q: I saw somewhere in another Oral History, an Ambassador who apparently was there and he seemed to come to his defense in saying that this was not fair. I don't remember who it was.

VENEZIA: It may have been McNeal or maybe Tams. Well, it doesn't matter. Depending on what you were doing, on what you saw depended on where you sat, and the RIG sat in a place where they said "We're going to get this guy." and they never did. But they eventually got him on these questions of judgement and Dan fought it tooth and nail. Dan

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is a very tenacious guy. He fought them to a draw on a letter of reprimand. I think that was what went into his file and then he retired. The RIG spent a lot of money trying to find something and they couldn't do it.

Q: Then you took over?

ENEZIA: No, Carl did. Carl Leonard never met a word he liked, so he doesn't say much. [laughter]. Carl, if given his choice will say nothing, literally nothing. He's a bright guy but a keep it quiet kind of guy. He came in after the Dan Chaij parade and ran things, quietly with Doug Tinsler as his Deputy. Then he moved on to Bolivia. Well, Carl was known in the country, I think he was respected and the people that knew him liked him, but he kept an extraordinary low profile. Which probably made sense.

Well, I hit the country with a bang. I gave a press conference and it was handled by USIS and it was in the USIS Director's house and I was interviewed by the magazine Rumbo, which was their version of Time magazine. Then I decided to give a speech, we had an economic forum and we were doing a lot of macroeconomic stuff, so we were working with academia, we were publishing a lot of economic stuff and it was a major economic conference. They said "Would you like to say something?" and I said "Yes." I had already done my bit about going back to normal which had stunned them. I had given several press conferences where I had said we have to bring this thing back to normal and I was getting to be known and people knew me from before.

In thinking about giving the speech I began to work with Ginger Waddel who was the Assistant Program Officer and I began to give her some ideas and it was a retrospective. Twenty years ago I was here and now I come back to find this. I had discovered free market economics and this is where my exposure in the Asia/Near East Bureau really came home. I had seen the Indonesian experience, I had seen the Thai experience, I had been working with Ed Harrell on reviving the private sector in the west bank. I had become enamored of the whole open market approach to development. I began to work on a

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theme saying that Costa Rica needed to think about it, and do much more than it had been doing. I crafted a speech, I was the last person on the agenda and there were about 150 people in the room, and everyone kind of expected a kind of glad to be here kind of thing and I gave a highly critical speech of Costa Rica's missing out on what was the biggest opportunity they were ever going to get in a long while. It was a critical speech, respectful but critical. The room went silent. People were sitting there. This was the country's leading economists, head of Central Bank and that kind of stuff. I finished the speech and there was long sustained applause. The speech became a cause celeb. There was an editorial two days later that quoted the speech and used it as a bandera, and Rumbo then came out with a big article on me. Calling me a "diplomat who speaks his mind."

Q: Had this been cleared with Embassy before you gave it?

VENEZIA: Yes, the speech had been cleared with the Embassy. They didn't realize that it was going to hit with such a bang. It reverberated.

Q: Do you have a copy of this speech? It would be nice to attach it to this report.

VENEZIA: I'll look around for it. I think it's in my scrapbook. In any event, it was reproduced in the Country's leading economic monthly journal. I started a scrapbook when I started appearing on the front page and the Embassy didn't know what to do with me. There wasn't an Ambassador. There was a DCM, Bob Homme and they didn't quite know what to do with the rambunctious AID Mission Director who was appearing on the front pages of La Nation and making speeches and appearing in editorials and basically speaking my mind. I told them what was on my mind. I was very respectful because I liked them, not like the Ambassador that I worked for in Honduras who kept calling Hondurans monkeys. I like Costa Ricans and I liked the country and I felt that they could be better than they were doing. So I decided to tell them. The Costa Ricans were enamored with that, they thought that was kind of fun. We had an enormous dialogue for about a year and a half. I still had a lot of money and I felt that I had a cause. There were several causes

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that I had. One was to give them a “wake up call” and another was to do what I called the “soft landing”. I developed the concept of the soft landing in that we had taken off in 1980 and had soared and we were heading down very fast.

Q: You're talking about the AID Program?

VENEZIA: The AID Program and AID money. I said “Think of it as an airplane, (a landing of an airplane which is what we had to do with this thing, we had to bring it in for some kind of landing), a landing is really a controlled crash. If you take your hands off of the wheel the plane crashes, so you have to bring the plane in, you control it.” I decided on this concept of the soft landing, which meant that we had to manage this thing down and then I thought of the next concept which was the “passing of the baton” and these were things that actually showed up in our program documents to Washington. They were my concepts of what we had to do with the program and what guided me. The passing of the baton meant that the last ESF agreement that we were going to sign, had to be signed in such a way that we could pass it along. We had this marvelous policy dialogue going on and we were accomplishing things but I felt that if we just stopped the Costa Ricans might just walk away. So we had to pass off the baton to the IDB and the World Bank. We began to work very closely on an shared agenda and shared policy and the last ESF agreement that I signed I said “This is it.” If we got something the next year it would be 25 million and it was clearly the last time we were going to be a major player at the table. So I did several things. I decided that we would switch from covenants to conditions which had been a real tradition in the country. The covenants had been honored in the breach, and I was confronted with a real choice when I got to Costa Rica.

There had been a major push on the private sector and the creation of FUNDEX which was another of these trusts by the way, but this was to create an export promotion fund. They endowed it with an enormous amount of money to begin with, 30 or 40 million dollars of local currency, (I'm not sure about that figure) but the idea was that the next year's ESF would do the same thing. I got up there and I was faced with a crossroad. Ken Lanza, a

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good guy, had taken over for Dick Rosenberg as head of the private sector office. He was a very assertive, aggressive guy with a lot of experience in the private sector and had a lot of good ideas. He was pushing, and when I got there in the summer we were putting together our Program Recommendations. Our question was, what do say our next ESF agreement is for? Ken made the case that FUNDEX was the designated recipient. So that was the question that was on the table. Juan Belt, the AID economist said "Look, I have these ideas." and he put forward the whole question of the open markets and financial reform package. Basically a fiscal and foreign exchange reform package with some aspects of government reform and tax policies, but laying the basis for a public sector reform program. Two very different visions. I had to make a decision, which to me was easy, I said "Look, I can understand the thrust on the private sector side, but this is today's agenda so that we need to follow this." so the ESF agreement that I put together had a whole new area, picking up some of the stuff that had come earlier especially on pension reform and a few things like that. But also introducing tariff reduction and beginning of independence for the Central Bank. These things had conditions which were negotiated with the government and they bought into it because they were learning themselves, it was a brand new government. But they believed in these things, they really did.

Q: Had there been a process proceeding this to engage them into understanding these issues?

ENEZIA: The President didn't know anything about this stuff. He was a good politician, a good guy but not an economist. Some would even question whether he was a good lawyer. But he ran a tight campaign, but had no program when he came in. His economic team however, had a lot of people in it who were free market economists and who wanted to move along this track. They were easy to talk to on this issue, they were convinced themselves and they had to convince the government of. The head of the Central Bank was a very strong free market economist who by the way, in my first meeting with him at the office of the Vice-President, he walked into the meeting late and introduced himself and he said "You don't remember me do you?" and I said "No, I don't." and he said

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“Twenty years ago you gave me my scholarship to go to Harvard to study tax policies.” I remembered that I had. I was the head of institutional development, and he had come in as a young student and interviewed and I said this is a guy that should go, I picked him and he went to Harvard and then came back and was now the head of the Central Bank. Interesting, that's Costa Rica for you.

These people came along, they were basically convinced themselves, they had to convince the politicians in the government but in effect it was a willing audience. They were being pressed by the IMF, they had encountered a very high deficit and were heading toward a 7% deficit. They were under pressure to deal with the IMF. My first meeting with Arnaldo Lopez Echandi, the Second Vice President and my counterpart. was an event. I went over the second day that I was in the country and Doug Tinsler, the Deputy, tells me the first day that they had just pulled a real shitty deal - done by the head of the Central Bank. They had been faced with a payment deadline to the World Bank and the IDB, but mostly the World Bank. The World Bank's deals are, they get paid - they don't care what - they get paid. So they have a deal where if you begin to miss your deadlines on payment, the penalties become incredible. If you miss one, the penalty you get goes up a certain percentage, there's a point at which it doubles. They were reaching these deadlines and they didn't have any cash because to pay the bills to the World Bank they needed dollars. To get the dollars the government had to give the Central Bank Colones. The government didn't have the Colones to give to Central Bank, so they were stuck. The deadlines were coming like hammer blows. So the head of the Central Bank decided to take the local currency that he had in his accounts that belonged to AID and leave behind Central Bank bonds as collateral. That happened the day before I got to the country and we're talking about an enormous amount of money. So Doug told me what happened and I said “Well, Jesus we can't live with that. The auditors will come down on us like crazy, it's still AID responsibility. We can't accept bonds instead of the cash.” So I went into Arnaldo's office, at the Presidential House, and I'm meeting him for the first time, we sit down and the DCM is across the way from me, he had accompanied me over but still doesn't know

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me. I thought back to my being bullied by the Ambassador and I thought nobody is ever going to intimidate me again, so I said "Mr. Vice-President, I've come to discover this is X,Y,Z, and I have a message for you." And he said, "What's that?" and I said, "Put it back." and I said this last phrase to him in English. He winced and said "We're not sure we can do that." and I said "Look, I'm prepared to talk to you about how to do it and when to do it, but I'm not prepared to talk to you about not doing it." We agreed then that we would look at ways to do it which led basically to what was referred to as Programs for Labor Mobility, which means downsizing the government. In effect we wrote off the debt against their letting so many people in the government go and charging that money against it. What a way to begin a tour, let me tell you. We had enough relationships in the country where we could do that. I wasn't doing it alone, I had a tremendous staff. I never went to a meeting where I didn't know what I wanted to say, I was always well briefed and my cause was just. That was my first meeting with Arnaldo. We designed the program around the New Initiatives in which we were using Mexico as an example and we began to take off on the trade side. We lowered the tariffs and we worked very closely with the IMF. About three months into my tour there was another small incident. These are some of the personal incidents that I had. It makes it sound like I'm aggrandizing myself, but these things happened.

Q: Well it's your story, if they happened that's what we want.

VENEZIA: I was talking about Arnaldo and I was already deep into handing off of the baton, making sure that we were going to try and link ourselves in with IFIs and the IMF came to town. The IMF couldn't get the government to deliver on figures and they were having trouble making the government understand that the IMF was serious. The IMF would be talking to me, a guy named Eric Williams and he was a Trinidadian and he was trained in the British system of fiscal management and saw the Costa Ricans as the most wasteful people he had ever seen in his life. In his first visit to the country when I was there, I was talking to him daily and he confessed to me finally at the end of one day that he was leaving the country the next morning, he could not reach agreement with the

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government and that he couldn't deal with them. He was calling me to say goodbye, to thank me for my help. I was in the office and I called Arnaldo, and I said "I need to talk to you." he said "Sure come on over." He was like that, if he was around, I could talk to him. So I drove across town and sat in his office and I said "The IMF is going to leave this country without an agreement and you guys are going to suffer for this. You have to come to a deal. I understand that's it's difficult and that you may have to do some things that you may not want to do, but not cutting a deal is going to cause you more problems then whatever you think is going to happen by cutting the deal. The IMF tells me that he is leaving and my advice to you is that if you don't get your ass in gear on this thing, you're going to be hurt." he said "Let me look into it." It turns out that the State IG Inspector's were visiting the post at that time and doing an inspection of the post, they had already come over and had lunch with me and their basic question was 'Did I think I was part of the Embassy team?' and they looked at the building and they had talked to the DCM who said "I don't know what's going on over there," and they wanted to know if I was a free agent. I said "As far as I'm concerned, I am nothing without an Embassy, we have all this money but it is U.S. policy that drives us not anything else." So I convinced them. The same afternoon (about this IMF incident) there was a cocktail party at the house of the Admin.. Officer for the team and the Embassy Officers, to say goodbye to the inspectors. I got in about 5:30, I walked in and the head of the Political Section, John Hamilton, said "You just got a call from the Vice-President's office and he's asking for you to call him back immediately." So I went over to the phone and called him and he said "Ron, I just wanted to call to thank you for your intervention, I got involved personally and there was a terrible misunderstanding. We've met, he's [the IMF] not leaving on the morning plane tomorrow, we've got a meeting planned tomorrow and we're going to come to an agreement and I'm just calling to thank you personally for what you've done. What you did was a great thing. Thank you very much, see you in the morning." I walked back into the living room and everyone wants to know "What the hell did the Vice President want?" and I said "He wanted to thank me for my personal intervention in making sure that the IMF team didn't leave the country and that they are going to have a major agreement tomorrow." And I'll

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always remember this, John said “WOW” and I don't think the DCM ever forgave me. It was that kind of a tour, it was exciting everyday.

The problem was that the Embassy in Costa Rica never appreciated how we saw the AID Mission's role. I remember sitting with Arnaldo one day hearing him lamenting that their party, which had been out of power for many years, did not have a deep reservoir of young talent, and that key people such as ministers were doing their own staff work. I remember saying “Look, consider my staff as available to your Government to do staff work”. And they would do that. Juan was called several times to prepare think pieces for the Central Bank, or to go over and comment upon the fluctuations of exchange rates as new policies were implemented. Ken Lanza was regularly consulted by the Minister of Commerce, and prepared papers for them. After all, they were paying most of our operating costs. At least we could repay them in some ways. Well, the Embassy saw us as a bunch of sellouts to the Costa Ricans. This was especially true regarding US policy on expropriations. There was \$10 million of ESF being held hostage to resolving that issue, and while I supported the US stance, I felt that there were other ways to solve this than messing around with AID funds. Eventually we lost the money which proved to me that the linkage was flawed to begin with. The issue is now with ICSID which is where it should have been all along.

There were big issues at stake, I felt that we were deeply involved in the countries strategy, we had wonderful relations with the government. I was never quite sure who was using who, but it seemed to be working out. Finally, as I reflect on the whole Costa Rican experience, the next thing I wanted to do was to create a foundation. I came with the idea of a foundation again from my Asia/Near East experience. I had been exposed to the Luso-American Foundation in Portugal which had been created by AID cash transfers as a means to continue cooperation after the closure of the AID Mission there. I had seen it operate and I knew the way that it was structured and I thought that's the way to end the program. I began to think in my mind about the structure of a foundation. About a year and a half after I was in I could see the down sizing trend emerging, I got more seriously involved. I brought in Larry Harrison to work on the side of what a foundation

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might do and I had my own ideas. I felt very strongly that it should continue to work on scholarships and public sector reform which was something I think Costa Ricans will need for the next millennium, and export promotion, to continue the things that we were talking about and still provide some way for the Costa Ricans to still have a U.S. connection. So Larry staffed that out, he was skeptical at first, but eventually he came on board. Then I asked Don Finberg to come in (he had run the Luso-American Foundation) for his ideas on how to structure. I put together a report and a basic structure of what I thought would work and the essence of it was the local currency because we had to find a way to get the local currency off of our back onto something. I developed an approach that was probably a mistake on my part, but I felt very strongly about it. I felt very strongly that if we were going to call it the Costa Rican - U.S. Foundation that there ought to be some U.S. money in it. I felt strongly that I had to have some dollars involved for if nothing else to hedge against inflation.

Into my second year, I put together a proposal and took it to Washington and I thought it was the best thing going since sliced bread. I have never encountered such short sighted, narrow minded attitudes as I encountered in the planning office of the L.A. Bureau. Joe Stepanek who had spent most of his life in Africa and who was on a vacation in Latin America, because he never really engaged as far as I can tell, took it in his mind to say that this was a ridiculous idea and I couldn't for the life of me figure out why. But he was the head of DP and the rest of the bureau looked at it as if it we were trying to extend the AID Program. It was seen as something strange, as something out there on the moon. I was asking for U.S. dollars and they said "Are you crazy? To just park somewhere and pay interest so that you guys can have a foundation?" I said "Yes, I'm glad you finally understand it. The answer is yes. And this is what it's going to do and this is an exit strategy for AID." Remember what I said about the plane? You bring the plane in for a landing, you don't take your hands off the wheel and that means you put some money in. I told them ""We can talk about the cash flow, five million dollars a year for the next five years or do it all at once, there's all kinds of formulas and amounts, but let's talk about the

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substance.” The only answer I got was “See if you can make it work with local currency.” and I said “Let me make sure that you understand my point here, my point is that it's a Costa Rican - U.S. Foundation. The U.S. puts in money.” they said “There isn't any money.” I said “Then there is no foundation.” And I just stopped, I thought I was perhaps making a point but they had not made a decision to close the AID Mission at that point so I figured there was enough time. I had talked to Arnaldo, and I had cleared this with the government and made sure that the government knew and Arnaldo thought it was a marvelous idea. He talked to the President about it and the President thought it was a good idea. I said “You have to understand that we're talking about this as a repository for the local currency, you have to agree.” they said “Don't worry about it, we see the benefit of this and we are with you. You can say that we support this.” So the government was on board. But it never went anywhere while I was there. While I was there, the last basic presentation I made was to the new AA for Latin America, a Clinton appointee. He came to Miami just after he was appointed and I had a half hour meeting with him and I tried to brief him on it and I saw his eyes glaze over, his only interest was in going back to El Salvador where he had been a Peace Corps Volunteer (he had been highly opposed to the Reagan administration policies in El Salvador) and going back and kicking the hell out of that program and making sure that they did things his way. Since he's been in the Bureau I think he's focused almost inclusively on Salvador and Haiti, which most people have anyway. I could not get any interest out of him. Aaron Williams was intrigued with it, tried to say that we should do just local currency.

Aaron Williams was the Deputy in the L.A. Bureau and then moved up and is now the Executive Secretary. He was intrigued with it. I couldn't get anywhere so I left it on the table and it was on the table when I left. Still there, it was picked up and now it's moving along very quickly.

Q: Do you understand what the subsequent objection was or what the real issue was? Was it just lack of interest or were there some technical issues?

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VENEZIA: I never understood Joe Stepanek.

Q: Well, apart from him?

VENEZIA: But he led the opposition in the bureau. The money was getting scarce, the money was very scarce. Jim Michel had moved up to be Deputy so Aaron was Acting and he was being pulled in many directions. Aaron is very rarely the first one out of the trenches. He is a very solid, but relatively cautious guy. It couldn't get to his level, I couldn't get through the staff. The desk was absolutely no support whatsoever.

Q: The State Department?

VENEZIA: The State Department was intrigued but didn't see it as their fight. We had an Ambassador who was a political appointee, a good guy but not a guy who was going to go to bat for this kind of thing. It was not something that he saw as something for him to do.

Q: This could be one of the most important things he might do.

VENEZIA: He thought it was a good idea, but it was not going to be something that he was going to put his hand in the fire for.

Q: Did it ever get onto the Hill or did anybody on the Hill know about it?

VENEZIA: No. I tried to sell it around, but I never went to the Hill. I never had the contacts on the Hill and it would have been rough for me to do. I wouldn't have known where to go on the Hill to be very frank. And I wasn't being advised on this. It just sat there, so I worked on other things. It was clear that I was up for the TIC (Time in Class) renewal, so I was getting signals that I was heading into my last year or whatever. I could see my own self winding down in the command.

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Q: Before you get there, let's go back to the Costa Rican program. Was there any sector or program focus?

VENEZIA: Trade and investment.

Q: Trade and investment were the primary things?

VENEZIA: Well no, I thought that I did several things. Things that happened on my watch which I think I can take some personal responsibility for.

Q: Right, that's what I'm after.

VENEZIA: Things which I could take responsibility for and things that resulted if not from my initiative, certainly from Juan Belt who is the father of the Trade and Investment Program, and I took the policy lead on discussing everything but Juan was a very strong shaper of things.

Q: He was your what?

VENEZIA: He was my main support in the area on my staff. A lot of people helped. Juan was my economist. In 1970, I had started a legislative reform program, and when I got back to the country I was going around and doing my rounds, I was visiting everybody, a lot of people who I knew. The head of the Congress was Miguel Rodriguez who I had known when he was the head of the Budget in 1970. He was a young wonder kid, worked for President Torrijos, worked very closely with Larry and I knew him casually, but now he was President of the Congress. He invited me for lunch and I went over, we had a long lunch and I recounted the fact that in 1970, we had started a legislative reform program that had blown up because of the Communist Deputy standing up and saying that it was a CIA plot. I said that it was a damn shame. I asked him what he thought of that and he said "It's a damn shame." I said "Do you want to try that again?" and he said "Yes." He was very interested in reform of the Congress.

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Congress obviously needed reform, Congress was sitting still in the twelfth century, it was a Bob Cratchett Congress. Everything was still being written by hand; they had made some attempts at modernization, but not really successful. We started a legislative reform project which is very active today. The Congress has really picked up on it. Then I had lunch with Don Edgar, who is the Chief of the Supreme Court, who I had not known but who knew AID. Before I got there, there was a regional program of legal reform, most of which was human rights oriented and the government had established what they called the Sala Cuarta, there were three Salas of the Supreme Court and the sitting court was the constitutional court. Well the country had gotten to the point where nothing was declared unconstitutional, it was so convoluted that laws were passed that were clearly unconstitutional and they were sitting on the books. It was a real mess. This got to a point where they finally created a fourth Sala, which was a constitutional Sala and the judges that started this thing were good friends of Carl Sera, an American who was in Costa Rica at the time working as a contractor for human rights. He's a lawyer and a very, very personable guy. Well the Sala Cuarta said "Geez we're brand new here, we don't have a thing. Can you help us?" and Carl put together a little project which bought them computers, trained some of there staff and which set them up and running. They had done this through their training school inside of the Supreme Court and the Supreme Court in Costa Rica is well funded. It has 6% of the budget. They have always been well funded, it's a professional organization. They had a little training school and they trained their people and this had worked so well that when I met with Don Edgar, I told him about the previous attempt to do something with equity. And he asked if I wanted to try that again and I said sure.

Actually the last agreement that I signed in Costa Rica just before I left was the Supreme Court Modernization Project and I'm told that it's going extremely well. It's designed in a way that they did the work. Even the TA was going to be done electronically, the guys who designed it said "These guys are smart enough to do what has to be done, they just need some material assistance and some occasional outside assistance, which we can handle

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by telephone or fax and occasional visit.” That's the way it worked and I'm told by Rich Weldon, the current Director, that the project has done very well and it's just soaring. And Edgar is still personally involved. That was fun.

I got interested in the scholarship program and I became convinced that the best thing that AID has as an impact on a country is the people. We probably trained outside the country between 3000-4000 Costa Ricans at all levels. I'm talking about Ph.D.'s and Master's level down to 4-H teenagers. These people are going to come back and hopefully have a major impact. They're beginning to flood back into the country now. I was visited by the Academia people who were worried about if the government changed, they were worried about the impact on free market economics and they might return to the economics of the past which Liberacion was famous for. They were afraid that AID contracts were going to dry up because AID money was slowing down. They asked me for an endowment, and I told them that we don't do that anymore and that I was sorry. I went home and I thought about it, I came back the next day and I called them up and I said, “Look, I can't talk to you about an endowment because I don't want to talk to you about an endowment, but I want to talk to you about something that I think is necessary, that I think you guys can do.” We had a whole bunch of people out studying in Masters and Ph.D. levels and mostly economists, free market economists are studying in Chile, Argentina, Mexico and if they do well there we send them on to Stanford and Chicago. And there were dozens that were out there. A few of them had come back and clearly the employment opportunity for a Ph.D. in economy in Costa Rica is not all that great so this guy had gone back and helped his father run his chicken farm. I said, “We're not going to make this investment and have these people come back and go to work with their families, which is where the money is, how are we going to keep them engaged? I would like you to think about setting up a program of basically, continuing education, where you set up a series of periodic sessions where these guys, as they drift away into doing business or the academic world can still come back and do economics and there will be a place where they can read economic manuals, they can come to the literature and they can be tested and they can continue to

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be involved and maybe even work as consultants.” They said that they would like to do that.

Now we had to talk about how to set it up. We would set it up and we wouldn't call it an endowment because it wasn't, but we set up our famous little scheme. Which was a small project (it was only \$130,000) for three years to run a series of seminars, keep a library, when people were coming through set up sessions and invite people in and have a part time coordinator. And while you're doing that for three years, here's a half a million dollars of local currency which we will set aside and let grow for a period of three years and when that \$130,000 is gone this will kick in and the income stream will continue the program. That program is currently underway. Hopefully it will continue. These are some things that I feel good about, they were small things but they were I think, key things. I thought it was quite innovative.

In the area of public sector reform, Doug handled most of the day to day work. It was a major program which Doug was clearly interested in and took the lead on and that was in the area of fiscal reform and tax reform. I got involved in the aspects that affected trade and investment, which would be dealing with the Ministry of Economy on new law of consumer protection. Which meant removing price controls. The private sector office did most of the work on the export function side and I didn't have to touch that. I could oversee it, but it was moving along. I got involved in the putting up of a laboratory for exports which I understand is not going well at all. Also, I brokered the introduction of Internet into Costa Rica, the first Central American, maybe the first Latin American country, to link up.

Q: What about some of the areas of AID interests in the health program, the population and the environment and all of those kinds of things, we're they part of your program?

VENEZIA: They sure were. Remember that I had overseen the population program within this institution development office that I had mentioned earlier. That's when we actually started and those were the days when the Bishop's of Costa Rica were railing

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against the introduction of family planning practices and we discovered that every time they made a speech or had a letter read from the pulpit the use of family planning went up. [laughter] They finally realized that what they were doing was giving the program advertising because most people were coming out of the church realizing that there was a way to do this. Those were the risky days. When I got there the second time the Family Planning Program had been incorporated into the Social Security System, the Social Security System had carried it as a regular service. Our main input was some technical assistance and some networking, going to various training courses and things of that nature and contraceptives. Betsy Murray explained to me the program and I said well contraceptives are where the money's going. We were putting a half a million dollars a year of contraceptives into the Social Security Institute so I asked her how long we were going to do that and she said that the contraceptives come forever. AID had this global contract and we order them and they come. And I said "Betsy, this is going to be a soft landing, it's been 20 years and the services are incorporated, we're going to have to find a way to cut this off." and she was somewhat shocked.

In my first meeting with the Executive Director of the Caja who was good friend of the President's and who I had met at a previous occasion so I knew him before I met with him, I said to him, "I've got good news and I've got bad news. The good news is that you guys are doing great, the bad news is that sooner or later we're going to be out of here and you've got to find a way to buy your own contraceptives; you just can't think that we're going to be here forever. So why don't we cut a deal? I'll give you three years, three years from today we'll be out of the business and you'll have three years to gear up for this." They had a big operation, it was mostly bureaucrats, and the condoms were listed under the same kind of an import regulation as tires. I'm serious, they simply hadn't done the staff work that was required to bring in condoms in a massive way.

I said, "You get the staff work together but I want to tell you we're on a downward slope. This year we're going to sign something for a third less than we normally do with the expectation that you'll pick it up." He said, "No, give me a year." and I said, "Okay. Then

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next year we'll do it half and half; the next year and the third year it will be none." He said, "We can live with that," and we walked out. That was it. It became a self sufficient program and the country could handle it. Healthwise, the country's health program was sophisticated enough. When there was a cholera outbreak in Central America, Costa Rica just geared up and I think they had ten cases at the most which came across the border from Nicaragua. They were clearly able to handle it. They had problems with administration.

Q: Were you involved in the Child Survival Immunization Program?

VENEZIA: No, the Costa Ricans did their own thing. We provided technical assistance if they wanted it, gave them access to international forums, but the health program was not our prerogative, they were pretty much on their own. The same with education, earlier we had restocked their schools with text books and we were building schools with local currency but it was not a major area.

Q: What about the environment?

VENEZIA: Heavy. There's an interesting foot note to that. I came in and discovered a program called FORESTA. It was a five year project which had taken the course that we all took. Here's a five year project to basically create a private NGO although with heavy links to the government in those days and we'll set aside an endowment and let that grow for five years and then when the money runs out the trust fund will kick in. This story I will warn you has a happy ending and it's a very personal happy ending. I took a look at the project and it was incredible. The project paper had been written by one person and the budget had been written by another person and these two people had never talked to each other. It was quite clear that the person who wrote the paper was writing for some kind of crazy environmental office in Washington that was going to approve this thing and the person who wrote the budget was talking to the people on the ground who wanted the goodies. There were saw mills, it was incredible, there was no relationship and the

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government thought that the project was there to pay for park guards. They came literally after the project was signed which was just before I got there and said "Where's our check to pay the guards for the park?" Now you have to understand that Costa Rica has a system of national parks that is probably one of the most advanced in the world; 13% of the entire country is under some kind of protection and maybe 27% of the country is under some kind of environmental management. They are very heavy into the environment, although the organization was a little screwed up. To make this project work, I used to use it as the classic example of nobody asked the questions "Does this make sense? Will it work and will it make a difference?" As far as I was concerned the answer to all three of these questions were no. There were immense problems with getting this thing off of the ground, tremendous misunderstandings with the government who had thought they signed one thing and they found that they had signed another and we were not going to bend. Anne Lowendowski who was the Project Officer was personally engaged in this thing almost on a daily basis. Bill Balkum, chief of the Ag office, would try and keep peace and they then would come to me, it was just a mess. It finally worked itself out. Little by little we would take on issue after issue and we would say this is what makes sense and I don't care what the project paper says, this is what makes sense and this is what we're going to do and we just held the line. We eventually prevailed and they set up this NGO called FUNDICOR which was the foundation for the protection of the central volcanic area which is all of these parks in the middle of the country which is what I called "the jewels in the crown" of the country. The country had this central volcanic ridge and the parks were all sitting up in the crown of the country, and they were the jewels. They were what the people came to look at, this was a tourists attraction. I called it the "Jewels in the Crown Project" the project moved along and began to gather steam. It is controversial because philosophically it takes for granted that you can have parks that you can prohibit anybody from cutting tropical forest but that there is a large part of these forests that people live in and you cannot simply close off forest resources. Their whole objective was to find a way to have forest management done in such a way that's that you can literally have people live and harvest a tropical forest and that's highly controversial. Some people say you can't

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do it so build a wall. Well they did do it, they developed all kinds of methodologies and as the project was winding down I was thinking about what to do with the endowment. I had been a member of the Board of Trustees of the Earth University and I had seen that work, there was a board of trustees that managed the trust and the board of directors of the school ran the school. I advised and counseled them that they needed to set up a similar arrangement where the money was kept apart from the people who spent the money. I negotiated long and hard with them on that issue and I was trying to get it into FUNDEX because I didn't have the U.S.-Costa Rican foundation which was really the ultimate goal, but that wasn't going anywhere. So I tried to push them into FUNDEX, which they didn't like and they resisted. So we negotiated a lot of the details but we couldn't close. When I left the country we still had not closed the deal. It went to my successors who continued the same arrangement. We had come up with an arrangement of a technical committee, we didn't want to call a board of trustees or a board of overseers, these were people that were very afraid of being usurped. They were tough negotiators, we had long, hard sessions. Most of which they won, I won some.

Q: Who were these people?

VENEZIA: They were FUNDICOR people. We were trying to set up the arrangement of how this thing was going to end up. After I left the basic approach continued with the idea being that they would no longer go into FUNDEX, they would control their own trust but it would be in the hands of a trustee, which was a bank who would control the money and AID would remain as a trustee and would eventually turn it over to somebody. But the money would be kept away from them and this technical committee would have to approve the annual budgets and serve as an evaluator of the program. As you know, yesterday was Sunday and I just returned from Costa Rica and I was coming back from the first meeting of the technical committee. I have been invited to be a member, I was invited by AID to be one of two AID appointees. They would appoint two people from the technical committee, FUNDICOR would appoint two and the government would appoint one. I was one of the two from AID, Anne Lowendowski was the other one by the way. The two

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people from the other side were a Costa Rican and an American who worked in tourism, plus a rep from the government. Their first meeting was this past weekend, I was invited in and full costs were paid for by FUNDICOR. The project is now ending, their picking up the endowment, their annual budget is 1.6 million dollars, the endowment is over ten million dollars. We met, I was elected President of this surrogate board of trustees and have a five year term. I will be going back to Costa Rica twice a year, paid for by FUNDICOR. There are no fees involved. Each trip is for about three days. In the January meeting we approved the annual budget and when we go in July we will be doing evaluation work and wandering around to see what they're doing.

FUNDICOR has turned out to be probably one of the state-of-the-art NGO's on forestry. One of the projects they're working on is carbon fixation; they developed a computerized model of carbon fixation, which has to be measured and certified because it involves the payment by, lets say a cement plant in Pittsburgh to, let's say, a farmer growing a tree in Costa Rica for the growth rate of this tree which is fixing carbon. When a tree grows it fixes carbon. It's scientific and the project that they developed and presented to the Carbon Fixation people is being used at the Harvard Business School as a case study on how to do this kind of thing. These are first class people. I was astonished at the level of sophistication. They have farm plans which they have computerized, they have 40 of these. The methodology allows them to identify the trees, you actually bring a picture of the trees on the farm, the various species, the average growth rate of each species and they can tell you the year that this tree will reach 60 centimeters and when it should be cut before it starts to rot. They then take that information down to the stock market and will eventually sell futures on wood that says "There's this tree that's going to become available in this year, that will be available for this price." So they prepare the paperwork now and the farmer gets the money. It's amazing. It's hard to say whether this will actually work, but I must tell you that it's working at the moment. So I was very pleased. I'll end my Costa Rican story by saying that I will continue to have a Costa Rican connection with an

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area of the country which is of great importance to tourism, ecotourism and conservation and forestry. It's a wonderful thing to do in retirement.

Concluding observations

Q: Let's step back from this whole career and try to see if you can sum up or put into context for somebody that is going to be a Mission Director. What would you tell them as far as what works, and what they should or shouldn't be involved in or do, and how can they could be effective in there work? What would you say?

VENEZIA: I think that you should be opinionated; you should have an opinion. To be able to do this work, you ought to have a strong feeling about what you think you can do and what you think you can't do and where you want to try and do some work. That may take some time to arrive at, but to be effective you need to have your own vision. You have to feel comfortable in some area that you think there's something you can do, you should have a inner base somewhere that you deal from. At the same time, you've got to learn. In looking back on our conversation, I never had a job that I didn't like and I never had a job that I didn't learn something in. I was learning all of the time. There wasn't a job I had where I didn't learn something entirely new about our business. I moved around a lot in terms of every three or four years I had a different job and it was a job that was better than I had before. I had a clear trajectory in terms of a career. Each job meant more supervision, or more responsibility so I was learning management skills (sometimes badly) but at the same time I was being exposed to brand new concepts and it was the fun of keeping your mind open and learning. I don't remember when I realized that my entire career would be inside the public sector, if I had to do it over again, I would still do it. Some things didn't work. My famous municipal bank is about to be abolished and I agree, because it just didn't do what it was supposed to do and it has probably wasted resources. It was a good idea, but it simply never took off and it was basically through the government. There was a time for that but I learned that it was something that could have been done better.

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I also have a perspective that starts with the Peace Corps in an Indian village, living in an adobe house, and I have either personally started, been involved with or observed closely an enormous range of interventions that attempt to change people's lives for the better. Poverty work tends to divide people into two broad camps. One is the direct intervention crowd, who believe that if you don't work directly with the poor, the rising tide will only swamp the poor's boats, not raise them. These people inherently distrust government, except for the money they can move to the poor's direct needs. The other camp is largely inhabited by economists who believe that no amount of direct assistance will help if the signals and policies are wrong, and that requires working at the policy level, and putting your resources there. I tend to have ended up in the second camp. I have seen the rusting water systems we installed in Haiti in the 1920s. That is an extreme case, but Haiti is not going to fundamentally change under our current approach of providing direct assistance to the poor. Some day, we will leave Haiti again, and it will be interesting to see how long it takes the new water system to rust. The current AID administration seems to be from the first camp, certainly in Latin America, and it is hard to see where these people think their current programs are going. Certainly, in my last post, I worked almost exclusively at the policy level, and I believe we had a long lasting effect. It's not that we ignored the poor. When a major earthquake hit Limon City, we worked like crazy and within a week had a package of reconstruction assistance prepared and approved, and we were underway in a matter of days after that. I think you have to have a different attitude towards disaster programs, humanitarian feeding, refugees, etc. But development has to look beyond that task. Unless you are caught up in political events beyond AID's control.

Q: We've covered this somewhat in various ways, but you said that as a new person working on a program, there is always tension between the developmental objective and the political objective and that there has to be a compromise. Very often the development objective gets compromised as the pressure builds. Did you see that? Was that an issue for you, or do you feel that both can be achieved quite satisfactorily?

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VENEZIA: Each one is a trade-off and each issue becomes a trade-off. Most of this comes down to people, in other words, the person in the State Department who is doing this or the person above him or her that is doing this. I have always been comfortable that the Foreign Assistance Program is one arrow in the quiver of foreign policy objectives and foreign policy tools. I've never been comfortable with people who simply saw it as our God given obligation to go out and save the world because it was the right thing to do.

Q: Even when that Foreign Policy interest may sometimes compromise your development objective?

VENEZIA: Clearly. What could be more humanitarian than refugee assistance or disaster assistance? This is almost the essence of humanitarian goodness on the part of the American people. Indeed, I think today that if Cuba had a major earthquake we would send assistance to Cuba. Last week I read that we were going to send two million dollars worth of rice to North Korea even the South Koreans are saying that all we're doing is feeding the Army. We're saying it's a sign, it's a symbol. The State Department goes along with this and I agree with them. But, there are a couple of occasions where I think that it got out of hand. One of those is the Anglo Irish accord, where I think that the payment of 50 million dollars a year to England, for use in Northern Ireland and in the counties of Ireland that are on the border was icing on the cake. You could do it once or twice, but we've been doing for the last six or seven years and it doesn't seem to go away. It's become an entitlement. That strikes me as something that can be warped, it's just a waste of money. I think I mentioned that if I had gone to the Senior Seminar I was going to look into the whole AIPAC thing because I was fascinated with the fact that even though the basis for the level of the Israeli cash transfer which said that it would be tied to debt burden, as the debt burden went down the level of the transfer didn't go down. There were sometimes when political posturing on the part of the U.S. Government just ended up - I felt that the money could have been used in a better way. So there are cases, there are many cases. The Russia program today answers the call of a bunch of middle-level

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inexperienced State people whose only perspective is what their bosses say, AID has almost no influence yet must implement a program it has not designed. Yet, without a perception that this is part of the U.S. foreign policy or that it represents the best of the U.S. in terms of humanitarianism, we're not going to get the money. Especially with this group now. I think who is just starting and who wants to engage in this business as a career, faces a real challenge. We've come through a very strong period of economics starting with the Reagan Administration and continuing through the Bush Administration and in some ways, with the rhetoric through the Clinton Administration. With the Japan bashing, the recognition of China and the human rights problems,. Economics are driving some of what we do these days and certainly humanitarian considerations have finally come to play in a place like Bosnia where there is slaughter going on for years and we just said "Work it out guys."

Q: We've become a little less forthcoming on the humanitarian aspect?

VENEZIA: We're more and more driven by declining budgets and economics, and the development assistance side of the budget has been reduced greatly. It is a question of a big bed and a small blanket. You keep somebody warm, somebody else gets cold. Political decisions say where to pull the blanket.

Q: The political and economic interests have sort of joined together now as opposed to the old Cold War rational?

VENEZIA: Well they've joined together in the most crass way. In the Russian program, the Eastern European program where the State Department has run the program, AID is the hayseed who comes in the morning and empties the milk pail; it's get things done kind of stuff. Where State pretty much sets the tone and the tenor and everything else about the program. That's the most crass example of politics driving economics. Some of that has turned out to be okay, because AID may or may not have done a better job by itself. I think what's important to remember is that we go in waves.

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As I look back over the last 30 years, it's quite clear that there are ebbs and flows in this process. I don't know if we're in an ebb at the moment or a flow, I think we're probably in an ebb. We're into this heavy market economics, open economy aspect of how we approach development and we've been there since the start of the Reagan Administration. Clearly that's about run its course, and we have had major efforts in Haiti and now Bosnia just to keep people alive. But with free trade, it's hard to see another Chile coming down the pike. We thought Mexico was a good model and then the bottom just kind of fell out and Mexico has had terrible problems. Then once that happened all of the corruption behind Mexico became apparent, so the legitimacy of that model is in question at the moment. Especially since it's going to be very uneven in its application and there are always winners and losers and the losers are going to become more and more obvious. NAFTA is under a tremendous amount of pressure, I don't know where our good friend Buchanan is going with this on the campaign these days. But there is going to be more and more pressure on the open market philosophy.

Today the Agency is consumed by dealing with budget cuts and lack of any real vision of where Foreign Assistance is headed or should be heading. You know, the old saying about draining the swamp and dealing with alligators - alligators win. My attempt to start the foundation in Costa Rica was an example. Mindless downsizing is easy if you forget the longer haul. The Agency let the Costa Rican-U.S. Foundation happen, rather than see it as an opportunity to create some model for timely and appropriate disengagement from direct assistance - and create a link for continuing involvement of benefit to both countries. The feeling is that Costa Rica is a success story, and we can all go on to other things. Well, I have heard that before, not only with Costa Rica but Colombia. It took Costa Rica only two years of a Carazo administration to dig a hole that took ten years and several billion of outside assistance to repair. The roots of that crisis - fiscal irresponsibility, a dependent economy and policies tied to the past - are still there. Costa Rica's current stability is a thin veneer, but that's their problem now, I guess. What I don't understand is why AID is not interested in the success of the Foundation, if not by putting in some dollar

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cash and keeping a stake in its success, then at least by staying involved intellectually and maybe helping them to create links with U.S. foundations. It has been cast adrift, albeit with resources, but I would have argued that there was as much a challenge in making the Foundation really work, as a model, as was the previous program of direct assistance. It kind of depends where you set your frontier as a development professional. Obviously, this current bunch has a frontier that can't envision much beyond their immediate swamp. Too bad. I wish the Foundation - and Costa Rica - good luck, but let's see what the next twenty years brings. Maybe someone that worked in the Mission with me will have to go back as Mission Director for a similar twenty year reprise. I sincerely hope not.

The real question is what comes next? It's hard to say what we're going to see next, but something is coming. There's got to be something coming next. The deficit with Japan is apparently shrinking but China is growing, so these imbalances are out there, the stresses are out there on the losers, more and more attention is being paid to the losers than to the winners, and one wonders whether there has got to be some kind of second phase to this open market economics thing. Which I can't figure out. I think it's got to be some mitigation, there's got to be some transfer or mechanism put into place. It's not clear that the United States can support a completely open market economy in the face of the now growing deficit with China and with no give on their side. A lot of things are in place to try to help that, but it's not clear to me what the next phase is going to be. But it's coming soon. It will likely not involve a great deal of traditional foreign assistance as we know it. So the real question is if you're going to join AID or join an organization like this, "What are you going to do?"

Q: What about your view as AID as an Agency to work for?

VENEZIA: AID has always been it's people and I've always enjoyed the people that I worked with. I think the current Administrator, Atwood is probably as good as we've ever had and is as good as we're ever going to get. He's a player in the State Department, in

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other words, he's a player at the table and so in the give and take on whether AID should be absorbed or anything, his voice is counted.

Q: What about over the years, in terms of how you've seen the Agency evolve?

VENEZIA: In my view when it has been least effective is when it has tried to set it's own path and set itself apart from foreign policy. Or else became less and less relevant to foreign policy. At that point it became captured, because it always had some resources; it became captured by the other special interests, the PVO's or the universities, and it became less effective, I think.

Q: What about opportunities for people working there in terms of being able to do something?

VENEZIA: I think it's the same as any other thing that you're faced with these day. I think the prediction for a recent graduate is that they will probably change jobs ten times now in their career. I had a 32 year career in foreign assistance, starting with Peace Corps and working my way through the contracting and into the foreign service. That is going to be a rarity I think and that is probably just a fact. I think it's going to be rare that somebody is going to have the opportunity to have the type of career that I had and maybe it's a good thing. I spent most of my public life in public service. I think that my advice to people would be, don't expect to have a 32 year career with foreign assistance. There may be a piece of foreign assistance that may be intriguing to you which will help you professionally. You may want to come in and do some work on the agricultural side, you may want to do some work on the health side, but I would counsel against looking at it as a career, I really would. Because I'm not sure that it will be there.

Q: Thank you for a very interesting interview.

VENEZIA: Thank you for the opportunity.

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End of interview